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foreign trade

ADA

SOUTH AMERICA—PRODUCTION • DEVELOPMENT • TRADE

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cover The map of South America to the left is set off by a traditional South American design that often becomes a motif in handmade textiles, hand-wrought silverware, or other crafts. The reports that this cover introduces stress not only the diversity of economic life on the continent but also the infant movement towards partial unity through the setting up of regional common markets. See pages 2 to 28.

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CANADA

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Argentina

Brazil

Chile

Colombia

Ecuador

Paraguay

Peru

Uruguay

Venezuela

PRODUCTION DEVELOPMENT TRADE

Argentina

Signs of economy recovery have followed coming of new trade regime; exchange reserves are increasing, oil production rising. Import controls have hampered Canadian sales, but have improved market prospects for certain types of goods.

C. S. BISSETT, *Commercial Counsellor, Buenos Aires.*

ARGENTINA'S progress in implementing its economic rehabilitation program during the last six months has been spotty—good in some important aspects and poor in others. A lack of the large amounts of capital, whether domestic or foreign, needed to fulfill the plan on the desired scale seems to be the main impediment. Actually, the amount needed is equivalent to about two years' normal earnings of foreign exchange. Any country, admittedly, would find it difficult to raise this capital except through a series of loans made by international financial institutions. Argentina is now seeking these loans abroad, and is likely to meet with moderate success. If the country can obtain such new loans or credits and also enforce the austerity aspects of the program even against a good deal of internal opposition, a gradual but certain economic improvement can be expected, quickening as time goes on.

Some Improvement Noted

The more successful features of the program are the basic change-over in the import system from extensive controls to free enterprise (see "Argentina Alters Trade Controls" in the July 4, 1959, issue of *Foreign Trade*); the noteworthy reduction in the chronic budget deficit; the limitation of bank credits to insure more constructive use of existing purchasing power; the elimination of price control; the encouragement of foreign capital investment and the creation of more attractive conditions for it; relative stabilization of the peso-dollar exchange rate; a favourable balance of trade; increased gold and foreign exchange reserves; noteworthy progress in developing petroleum resources, in establishing a basic steel industry, in re-equipping the railways with diesel locomotives, and in relaxing a little the system of marked austerity in imports. Outstanding is the Government's success in having the Argentine people acknowledge the existence of the severe economic crisis through which the country is passing and in getting them to accept the austere measures necessary to cure it.

Deficits Will Decrease

For the fiscal year ended October 31, the Minister of Economy recently announced an estimated budget deficit of some 38,517 million pesos. This constitutes almost 25 per cent of the total budget income from both strictly government sources and from state-operated institutions. The deficits were 6,084 million on government operations, (or 6.7 per cent of income) and 32,433 million for state-operated institutions, (50 per cent of income). The recently published 1959/60 budget forecasts a deficit of less than ½ per cent in income to cover ordinary government expenditures but the state enterprises again show an estimated deficit of over 26,778 million pesos, or more than 28 per cent of their budgeted income. This income itself is about 46 per cent higher than for the previous year, thanks to the comparatively large increases recently made in the charges for these government-run services—such as the railways, motor buses, domestic and international airlines, telephones, and water and power. Part of the deficit results from the fact that the new rates in some cases, notably the transportation services, are still not high enough to offset the cost and the remainder arises out of the need to purchase new equipment to keep these services operating. Because of the chronic deficits, it has been decided to turn over to private enterprise a number of the present state enterprises not essential to the protection of the national patrimony. Notable examples are some electricity and gas services and bus lines.

Petroleum and Steel

The outstanding success story is petroleum production, acknowledged to be the key to national recovery. In the January-September period the production rate increased by 30 per cent, indicating that about half the country's needs are now being produced locally. By 1962, it is believed, Argentina should be self-sufficient in all petroleum derivatives and exporting many. Already it is seeking export markets for a surplus of gasoline. Gas as fuel for industry, now available in unusable quantities, will be put to work when the Campo Duran-Buenos Aires gas pipeline is completed early in 1960. As production increases, the fuel-purchase drain on the supply of foreign exchange will decrease progressively until it disappears in 1963.

The basic steel project at San Nicolas is scheduled to commence operations shortly; shiploads of iron ore to start it have already been imported. It will have an annual capacity of half a million tons of pig iron and a rolling mill capacity of about one million tons of steel products. In addition, the small project at Zapla has been increased by 150 thousand tons of pig iron per year.

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Bagged Argentine wheat is stacked up in a pyramid beside a country grain elevator. Argentina continues to be one of the world's four largest exporters of wheat.

Peso stabilization seems to have been achieved because the peso-dollar rate for some weeks has fluctuated around 82-84. The gold and foreign exchange reserves have increased from 7,000 million pesos in January to over 16,100 million pesos in October.

Some Sections Lagging

Lack of capital has prevented much progress being made in other sections of the plan. Although a substantial number of diesel-electric locomotives have been supplied to the railways, a large amount of new rolling stock is still needed. This includes not only box and flat cars for ordinary use, but also tankers to handle the constantly increasing volume of crude petroleum. River-dredging is much in arrears and the building of new canals has been postponed. The projected rural road system, without which the marketing of crops continues to be hampered, has made little progress. The urgently needed electric-power program has been shelved pending the completion of an exhaustive survey of power needs undertaken by a UN team. The cost of living has increased by about 130 per cent since August 1958, although it now seems to have been brought under control; the increase for the latest available month was only about 2 per cent. National production suffered through a number of strikes, among them a "general" strike in May last and another in late September called for 48 hours by the Peronist and Communist-led unions. It was an outright failure; by the middle of the second day most of the union members were back at work in spite of their leaders' orders to stay out on strike. Such action indicates that the rank and file understand the crisis much better and tolerate the belt-tightening measures designed to cure it despite the great increase in the cost of living and the Government's policy of trying to hold the price level by not recognizing demands for wage increases.

Under the recent dictatorship, Argentina pursued a policy of isolation towards most of the international economic institutions set up after the war. Since then, it has followed an opposite policy. Recently draft laws were introduced in Congress to authorize Argentine membership in the Inter-American Development Bank and the International Finance Corporation and it is likely that this country will shortl become a member of both bodies It has already joined the Inter national Monetary Fund and th International Bank for Reconstruc tion and Development. Congres recently voted an increase in th membership quota for the IMF an a similar increase in the IBRD quot is expected to be voted well befor the expiry date.

Free Trade Zone

A tentative agreement was ini tialled in Montevideo on Septembe 30 by the representatives of Argen tina, Bolivia, Brazil, Chile, Para guay, Peru and Uruguay that lai the foundation for a free trade zon covering a limited number of prod ucts. It is to be confirmed at meeting of the foreign ministers c these countries proposed for Monte video next February. This projec has been fostered by the Economi Commission for Latin America c the United Nations. It calls for th gradual extension of the origin limited list of products over a perio of 12 years in the hope that it wi develop into a workable region common market. To date the com ment in economic circles has bee generally favourable, although the has been much less of it than wa expected. The reasons are probab the present tentative nature of th project and the fact that little im mediate improvement in Argentina export trade to these countries ca be looked for, beyond that alread assured by existing trade agre ments.

Canadian Sales

The alterations in Argentina trade controls explained in th above-mentioned July 4 report we designed to reduce imports to a austerity basis, and they succeede in doing so. The official figures f the first seven months of 1959 sho total imports from all sources valu at $437.4 million compared wi $711.4 million for the same perio last year. This sharp drop result

CANADIAN SALES TO ARGENTINA

oduct	Six months 1958	Six months 1959
luminum ingots	$ 153,079	$1,211,601
ewsprint	2,270,085	691,571
edicinal preparations		307,920
ood pulp, sulphate, kraft		159,976
rugs and chemicals, n.o.p.	17,013	133,124
opper scrap and slag		125,663
rcraft parts		98,103
eel plates, sheets and strips	85,763	68,334
ttlers' effects	31,824	67,334
rcraft		51,248
sbestos milled fibres		41,083
sbestos shorts and waste		34,472
ental, surgical, hospital equipment	8,608	34,540
ne nickel	50,362	25,190
achinery parts, n.o.p.	1,720,866	28,536
on pipe fittings	50,997	13,866
ectrical apparatus, n.o.p.	13,612	12,948
permakers' felts	5,214	10,390
l others	268,899	76,506
Total	4,676,322	3,192,405

om the heavy surcharges levied on imports of all but a short list products and Canadian sales ffered with those from most other untries. The new controls were so responsible for sharp changes in e importance of the chief groups imports. Those of foodstuffs, emical products, and fuels and oricants decreased sharply; imrts of iron, steel and their manuctures and of machinery and hicles increased markedly. Unrtunately the greater importance the latter two groups did not ovide any worthwhile benefit to nadian trade because neither up in recent years has been imrtant in the pattern of Canada's orts to this market.

The items valued at more than 0,000 that we sold to Argentina the first half of this year are wn in the above table.

Canadian exports in the first half this year decreased in value by ghly one-third. Newsprint conuted largely to this decrease as machinery parts n.o.p., almost entirely parts for agricultural machinery. Canadian newsprint prices have for months been consistently higher than European prices. As for agricultural machinery parts, many of these, omitted from the import lists that are the basis of the new control system, became subject automatically to the 300 per cent surcharge and the 500 per cent previous deposit. This effectively choked off almost all sales. Recently it was announced that henceforth all agricultural machinery not made locally will be exempt from the surcharge and previous deposit. If this decision is extended to cover spare parts, this trade is expected to revive to service the large volume of Canadian machinery still operating here.

The new control system has not been completely unfavourable to Canadian sales because, by abolishing the previous discriminatory import-permit system, it revived sales possibilities for two of our traditional exports, aluminum ingots and asbestos fibre. During 1958 our trade in both was eliminated because late in 1957 they were made subject to a special licensing system, with Canada and other dollar countries excluded as suppliers. Moreover the institution of the free exchange market made possible sales of some products for which dollar exchange could rarely, if ever, be obtained under the previous import system. The products chiefly concerned are medicinal preparations (almost wholly Salk poliomyelitis vaccine) wood pulp, drugs and chemicals n.o.p., copper scrap, papermakers' felts, aircraft parts and aircraft. (The aircraft was one de Havilland *Beaver*.) The heavy surcharges now in force were chiefly responsible for the smaller shipments of the remaining items on the accompanying list. •

Brazil

Development projects continue to put pressure on foreign exchange earnings and lead to search for foreign credits. System of exchange auctions keeps down imports from countries like Canada. Long-term prospects appear brighter.

WM. JONES, *Commercial Secretary, Rio de Janeiro.*

ANY report on export trade with Brazil under present conditions would be of little value if it did not summarize the Brazilian foreign exchange system. This report will do that and then touch on those areas of demand that do and will provide a market for Canadian specialties. It will also touch on the factors that could help to remedy Brazil's current foreign exchange difficulties and possibly improve sales prospects for Canadian exporters.

During the past few years, Brazil has undergone an unusually rapid industrialization. This industrialization program continues and with it, great pressure on foreign exchange resources for the purchase of capital equipment. Simultaneously the world market price for coffee, which accounts for approximately 75 per cent of Brazil's export earnings, has declined considerably in the last two years, partly because of a continued over-supply and partly because of intense competition from other producers.

Brazil's severe balance-of-payments difficulties have persisted throughout 1959 and if the trend

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in commodity trade for the first six months continues, it is estimated that the over-all balance-of-payments deficit will total about $300 million in 1959. However, the improvement in earnings from exports in the first half of 1959, accompanied by the obtaining of new foreign credits and combined with smaller foreign exchange expenditures during this period, offers some prospect of a smaller deficit. To conserve foreign exchange earnings while these difficulties remain, Brazil maintains a complex system of import and exchange controls.

Import Categories

The Bank of Brazil makes available foreign exchange for private imports at exchange auctions. Imports into Brazil are divided into three categories for exchange purposes:

- *General Category*—This includes goods considered essential, such as raw materials and capital equipment, and those not produced in sufficient volume domestically to meet the entire Brazilian demand. The high quotation for these dollars during the week of October 12 to 16 was Cr.$227.92 for US$1.00, compared with Cr.$205.42 for US$1.00 twelve months earlier.

- *Special Category*—This includes luxury goods and those for which there are suitable domestic substitutes. Only a small portion of the foreign exchange earnings is allocated for such imports. The average quotation for the U.S. dollar exchange during the week of October 12 to 16 was Cr.$424.92 for US$1.00, compared with Cr.$380.92 for US$1.00 a year earlier.

- *Fixed Rate*—A privileged but limited category of goods is accorded a fixed and most favourable exchange rate, Cr.$100 to US$1.00. These goods are petroleum, equipment for the production of petroleum, fertilizers, insecticides, wheat, printing paper and newsprint, some books, and machinery for printing newspapers.

There is a further exchange category but it is not directly related to imports. This is the free market for foreign exchange, in which purchasers bid for funds with which to effect transfers in payment of services, dividends, etc. U.S. dollars and other convertible currencies purchased in the free exchange market may not be used to pay for imports. These must be covered by an exchange certificate purchased from the Bank of Brazil at a currency auction and valid for the category of goods in which the proposed import falls. The Brazilian importer of Canadian and U.S. goods must pay for the exchange certificate within five days and in addition must buy the U.S. dollars at the official rate.

Availability at Auctions

Coincident with the categories of imported goods, the exchange-control authorities use the currency auction system to encourage purchases from those foreign countries that have concluded trade and payment agreements with Brazil—that is, those countries with which Brazil can anticipate a balanced bilateral trade over an extended period.

The U.S. funds for imports from countries with convertible currencies offered for auction by the Bank of Brazil are limited, partly because a portion of such exchange earnings is earmarked for repayment of past loans or credits, and partly because a portion is reserved for purchases at the privileged rate. These funds may be used to buy any convertible currencies—U.S. dollars, pounds sterling, Swiss francs, Deutsche marks, Austrian schillings, French francs, Dutch guilders and Italian lira. At present the importer only receives them 120 days after he has paid for them. Because interest rates are very high in Brazil (16 per cent per annum is not uncommon) the importer of goods from countries with convertible currencies must include in his cost calculations interest equal to at least 3 per cent of the value of the import for the 120-day period.

In addition to the interest c
the potential importer of goods p
chased with convertible currenc
must consider that similar goo
available from bilateral agreem
countries may be bought with
called "agreement" dollars. T
Bank of Brazil is currently mak
exchange certificates for inc
vertible "agreement" dollars imm
diately available each week at
price 15 per cent less than
weighted average of the previ
week's auction of convertible U
dollars. Thus, during a period wh
the cost of convertible dollars
terms of cruzeiros is increasing
at present) the fixed rate of
"agreement" dollar is usually a f
per cent above 15 per cent less th
the convertible dollar. Assum
that the cruzeiro will continue
weaken and that as a result agr
ment dollars will cost on the aver
17 per cent less than converti
dollars at 120 days, we may
that goods from convertible co
tries such as Canada, when inter
costs are included, are initially a
20 per cent disadvantage on
change grounds alone.

As a result of the functioning
the multiple exchange rate syst
involving both convertible and
convertible currency auctions,
change certificates for purchas
from trade-agreement countr
with which Brazil has a favoura
bilateral trade and payments bala
are made available with no limit
to the full amount of the favoura
balance, but convertible currenc
are made available only in limi
quantity.

Outlook for Foreign Exchange

To relieve the pressure on c
rent foreign exchange receipts,
Brazilian Government has ne
tiated with the International Mo
tary Fund for credits and stan
credits to meet international p
ments commitments already c
tracted and those anticipated
financing her industrialization p
gram. She has also negotiated w
the United States Government
similar credits. All of these nego

ons are based on the assumption iat, as the economy matures and ie program achieves its objectives, ressure on foreign exchange will ecline and funds will then become vailable for repayment.

However, the IMF has asked for ertain commitments and the Brazil- ns consider that these would cur- il the present rate of industrial dvance and have so far found them nacceptable. Meanwhile, the for- gn exchange position continues to eteriorate, barriers to imports crease, and other solutions are ought. However, should the Brazil- n attitude to the IMF proposals ange and credits be arranged, we ay expect an end to discrimination gainst dollar imports. At the same me, though funds from U.S. lend- g institutions, such as the Export- nport Bank and the Development oan Fund, cannot be used for urchases from Canada, they would lieve the pressure on current ceipts and permit the ending of resent demands that private credit e extended for capital goods con- acts.

It is perhaps significant that at e time of writing the Brazilian overnment is planning to send a ission of key civil servants to the .S.S.R. to discuss prospects for ade between the two countries.

iternational Coffee Agreement

A recent objective of Brazilian ternal economic policy was to nclude an international coffee greement to limit exports from pro- ucing countries. This agreement, gned in Washington, became effec- ve on October 1 for one year and nits total exports to traditional arkets by signatory countries to 2,650,000 bags; Brazil's quota is 7,431,000 bags. Brazilian authori- es believe that this over-all quota, mbined with a drive to increase ffee consumption, will limit the fect that worldwide efforts to dis- se of excess supplies will have on ffee prices. Some international arket experts say that this hope not too well founded because the uotas established exceed current consumption and coffee consumption is not flexible enough to take up this difference in any short period.

Oil Production

Economic nationalists in Brazil are prone to point out that approximately US$275 million of Brazil's convertible foreign exchange earnings were used last year to pay for imports of oil and its derivatives. They state that if any of the oilfields that Petrobras—the state-owned exploration monopoly—is exploring should prove to be major producers, the balance-of-payments deficit at current rates of expenditure could be balanced or turned into a surplus almost overnight. This, of course, is an optimistic assessment of the speed with which oilfields can be exploited. Nevertheless, if Petrobras were to succeed, its production prospects could be discounted in advance. This would bolster the country's foreign exchange during the period between the discovery and actual exploitation of oil.

Recently, because of the oil exploration concession made to Brazil by Bolivia 21 years ago, private Brazilian capital began oil exploration in the eastern section of Bolivia, an area believed to have a substantial oil-bearing potential, with the only economic outlet for such oil by pipeline through Brazil. If this exploration program brings results, it could do much to alleviate the Brazilian foreign exchange problem.

Free Trade Area

Brazil has participated actively in the movement towards a free trade area among the republics of the southern part of South America. At a meeting in Montevideo in the third week of September, a draft agreement was initialled by representatives of Argentina, Bolivia, Brazil, Chile, Paraguay, Peru and Uruguay. The proposed agreement is scheduled to be signed early in 1960. Its objective is to eliminate, multilaterally and progressively, duties on imports from the other participating countries over a 12-year period. Brazil, as the largest industrial producer in the group, may benefit particularly from a larger market for her manufactures. This, of course, is a long-term solution but does not meet the current problem of limited markets for many of Brazil's exports.

Other Aid

If Brazil can delay a crippling exchange crisis until the International Development Association and the Inter-American Development Bank are established and some of their funds can be made available to her, this may provide a partial solution. However, the IDA presumably will be administered by officials of the IMF and its related institution, the International Bank for Reconstruction and Development, who will probably have the same views on loans or credits to Brazil as the IMF has already expressed. The Inter-American Development Bank, on the other hand, may be much more flexible, but its establishment as an organization in a position to lend funds is not expected before June of next year.

Participation in GATT

Although Brazil is one of the original signatories of the General Agreement on Tariffs and Trade, it is not expected that tariff reductions negotiated with other countries will increase her exports to those countries substantially. Brazil's main exports are coffee and other primary products. Duties on such products in most importing countries are normally rather low and, with a few exceptions, even their elimination would not be expected to step up sales substantially. Brazil's exports of coffee to most of the important markets are limited by the new international coffee agreement signed in Washington. Similarly, her exports of sugar to countries participating in the International Sugar Agreement are restricted to 550 thousand tons a year. These two products accounted for approximately 60 per cent of the value of

her exports last year. Her sales abroad of manufactured products are negligible and she is striving to protect her newborn industries and to encourage industrial investment. It thus seems unlikely that any important reduction of Brazilian tariffs can be expected as a result of GATT negotiations.

Trade Prospects

The problems and imponderables outlined above make predicting the trend of Canadian exports to Brazil in 1960 difficult. However, if conditions remain the same or if the difficulties continue to increase, as seems likely, our exports to this country must inevitably decline. We can probably continue to count on newsprint as our major—but decreasing—export, with aluminum ingot running a close second. Asbestos and nickel, both essential and available primarily from Canada, will probably continue in their present volume; however, the projected closer ties with the South American regional free trade area countries (such as Chile and Peru) may reduce our exports of copper and other non-ferrous metals.

The prospects for exports of agricultural and fisheries products, either primary or partly processed, will continue to be poor, largely because those in insufficient domestic supply can be bought more cheaply from bilateral trade agreement countries or, like wheat, are made available from U.S. surplus stocks.

The prospects for light-metal manufactures and heavy hydro-electric equipment also appear poor in the short run—the former because of availability from bilateral trade agreement countries and from new domestic industries, and the latter because free sources of exchange available to particular developments have been largely used up and because of the tendency to require extension of credit over eight years (with payments beginning after three years) before such capital imports are approved.

There are, of course, potential exceptions to this picture of short-run general decline. Highly specialized equipment (such as that for radio communications) urgently needed and only available on short order from Canada, might be one. Railway track and similar basic steel shapes will also have to be imported in quantity with increased fabrication in Brazil. Similarly, other basic raw materials of many types will be needed, possibly pending only the completion of facilities for domestic production.

The long-run picture for Canada's trade looks much brighter. One of the major avenues open for fut Brazilian development is hyd electric power; as such projects planned and get under way, t should provide a large outlet Canadian technical knowhow a specialized equipment. The sa might be said of the whole range projects associated with a large veloping country with abund natural resources. Many Europe firms are associating themselves w these development schemes in ticipation of good returns in long run. Canadian firms in a po tion to take similar steps might f it worthwhile to investigate. •

Chile

An air of cautious optimism pervades Chile this year; domestic production has risen and foreign loans have been obtained. Economic recovery seems assured if inflation can be controlled. Canadian exports to Chile are rising.

H. M. MADDICK, *Commercial Secretary, Santiago.*

JUST a year ago the Chileans elected a new President, Jorge Alessandri, a successful businessman and son of a former President, whom they hoped would pull them out of their economic slump. Now, a year later, the confidence they placed in him seems to be justified.

In April, Congress passed a sweeping omnibus bill covering most phases of the economy. It included a presidential request for special powers for one year to pass decree laws reorganizing the public administration, and for other powers affecting banking and finance. With this authority, the Government was able to start on its program to improve the economic situation. Results so far indicate that in most sectors it is making headway.

At the end of June industrial production was up 43.4 per cent compared with the same time last ye Industrial sales increased 8.5 cent during the first six months this year and 14 per cent for year ended June 30. Consumption electricity climbed 16.39 per c during the year ended June 30; railways moved 8.9 per cent m goods in the first half of 19 Bank deposits in local currency r and, more important, deposits foreign currency increased 33.9 cent during the first six months, dicating new confidence in the co try and the Government. Althou the number of housing starts s falls far behind the need, this y has seen a big increase over previous ten-year average of 4,0

In addition to improvement home, the Government has b able to raise abroad credits totall $272 million. Some $72.9 mill

of this is to be used at the Government's discretion, $32.5 million is earmarked for the postponement of accruing debts, $143.5 million employed as credits for machinery and equipment for private industry and fiscal agencies, and $23.1 million is destined for the stabilization fund.

The loans have enabled the Government to cover the fiscal deficit for 1959 and meet its current obligations on time; for the first time in many years, the treasury is not pinched for money.

Inflation Still a Menace

Despite these gains, however, inflation is still hampering Chile's recovery. The President has frankly admitted that the cost-of-living index has risen beyond expectations and he is making every effort to place the problem squarely before the people.

In its fight against inflation, the Government has encouraged industry to hold the line on prices. The appeal has largely been successful and at least one sector has even reduced prices. Maximum prices were set on staple commodities such as bread, potatoes, flour and oil, though potato prices have since been freed because of the bigger crop. The Government has imported beef from the Argentine in an effort to maintain existing prices. In addition, the many retailers who have cooperated have been given press and radio publicity by the government-sponsored Committee for the Defence of the Consumer. The next few months should bring to light benefits from this campaign but, as the President himself has pointed out, what Chile needs more than anything in its fight against inflation is the cutting of costs and expansion of production.

The cost-of-living index in the first nine months of this year has gone up 33.3 per cent. Unless it is brought down considerably before the end of the year, the Government is likely to be faced early in 1960 with renewed demands for legal wage increases. This would set off the inflation spiral once again.

Exports Increase

Preliminary figures for the first six months of 1959 show that exports rose by 34 per cent or $61 million over the first six months of 1958. Copper was of course responsible for most of the increase ($45 million) and although higher prices played a part, increased production and exports also contributed. Of the other industrial exports that rose considerably, newsprint contributed $2.5 million in the first six months of the year and $4.3 million in the first nine.

Agricultural exports moved up a slight 4 per cent. And though timber exports declined, larger shipments of fruit, wine and vegetables boosted total earnings in this field. Sales abroad of fisheries products also rose. Iron ore exports climbed steadily and will undoubtedly continue to do so.

The outlook for Chilean exports thus appears to be excellent. In addition to good prospects for iron ore in world markets, expansion in the copper industry should boost exports from that quarter. Newsprint will probably reach its maximum exportable tonnage next year; a new pulp mill has come into operation.

Import Regulations Changed

During the first nine months of the year Chile took steps to modify the restrictive import regulations that have been in effect for some years. The modifications were designed to encourage international trade and to move a little closer to a trade policy consistent with the

The barnyard of a Chilean farm (or hacienda) in Chile's central valley where in vineyards and orchards grapes, apples, melons and other fruit grow. Wines and fruits, particularly apples and melons, have become important exports; some go to the U.S.
—Panagra

aims of GATT. The modifications are intended to be transitional, pending a complete revision of the customs tariff.

The first step in the new policy was the elimination of the list of prohibited imports and making most of these goods subject to a prior deposit of 5,000 per cent. Subsequently the Government reduced prior import deposits on a long list of goods;* on other commodities, they were reduced but a temporary additional ad valorem import tax was levied.

No figures are yet available indicating the effect of these changes on imports, but reliable reports disclose that in the beginning the relaxations resulted in bigger imports of cars and luxury products. However, this early influx of luxury products seems to have tapered off. When figures are in for the whole year, imports may possibly show a rise of from 20 to 30 per cent. However, increased exports should offset larger purchases abroad and enable Chile to bring her commodity trade balance into equilibrium.

The changes in import regulations do not appear to have influenced imports from Canada, except for a few small items. Generally, the combination of deposits and import taxes has not reduced costs to the importer and the system is therefore still inclined to be restrictive because of the tight money situation in Chile. It is still too early to evaluate the final effect of the new regulations on Canadian exports, but certainly the situation is no worse and in many cases it is better.

Common Market Negotiations

Chile has been one of the pioneers of the common market idea in South America and, with Argentina, Brazil and Uruguay, has pushed the plan with other Latin American countries. In April, representatives of the ABC and U countries (as the initial group is known) met in Lima to discuss the plan with representatives of Peru, Bolivia and Paraguay. Basically, the idea is to create a regional free trade area in which the products of member nations would enjoy a progressive reduction in tariffs and in exchange barriers. As a result of the Lima meeting, Bolivia, Peru and Paraguay joined the first four countries in giving provisional approval to the elimination of trade barriers. And although the draft agreement has only been initialled, the foreign ministers of the seven countries are scheduled to meet within the next six months to give formal assent to the scheme.

Only draft provisions on the operation of the projected common market are available and it is therefore still too soon to say what form the final agreement will take and how it is likely to affect trade with countries outside the group. However, it is reasonable to expect that the exchange of goods within the area will be confined initially to agricultural, forest and mineral products, which complement each other within the area. Should the scheme progress beyond this, certain consumer goods may be accorded regional free trade area status and thus benefit from the broader market that such an agreement would create.

Chile, for example, sells large quantities of newsprint to other Latin American countries; but within a regional common market she might very well take over a substantial share of this market from Canadian and European suppliers. It has been estimated that the overall regional trade between the countries concerned could amount to $500 million a year.

Canada Supplies More

Over-all trade between Canada and Chile is up by 51 per cent for the first six months of this year compared with the same period of 1958. Canadian exports to Chile for the first eight months totalled $4 million compared with $2.5 million for the same period last year and $4.6 million for all of 1958. Exports fo the whole of 1959 will probably b the largest in seven years.

Canada's principal gains in th first six months were in flour an milk powder shipped to the fre ports, and in truck tires an tubes, synthetic fibre, steel sheets nickel, electrical equipment, refrac tory brick, nitrogen fertilizer, syn thetic resins and wood pulp.

Chile bought considerably les Canadian agricultural machiner than last year, partly because of th high prior deposit that was pre viously required and only recentl reduced, and partly because of in creased price competition fron European sources. However, th last half of 1959 should see som improvement in exports, because o orders placed since deposit require ments were cut and since the Gov ernment introduced new credi facilities for farmers.

Market Prospects

The outlook for Chile appears t be excellent, provided the Govern ment succeeds in controlling infla tion. The fixing of a single exchang rate for all transactions and th maintenance of this rate throughou the year has eliminated the flight o capital and has also created favourable climate for foreig investment.

Credits obtained abroad will per mit the expansion of the copper iron, steel and cellulose industrie and provide for increased powe output. The development progran should boost exports within th next five years.

The picture for the future appear brighter than for many years. Al though the major projects are bein financed by foreign loans, whic means that equipment must b bought from the supplying country nevertheless Canadian suppliers o industrial equipment would be wel advised to take a new look at Chile The air of confidence in the futur is apparent also in private industry and many firms are beginning t think seriously about expansion. ●

*See *Foreign Trade* of August 29, 1959, page 28.

Colombia

Peso has strengthened; foreign capital is flowing in; gold and dollar reserves are rising. Import restrictions have been relaxed slightly and further moves are expected; best opportunities for Canadians lie in capital goods and agricultural equipment.

J. H. BAILEY, *Commercial Secretary, Bogotá.*

BUSINESS activity in Colombia has quickened noticeably during 1959 and is expected to make further gains in 1960. Demand for all types of goods is strong and contracts for construction, both domestic and industrial, have reached new highs. Stiff credit controls have checked inflationary trends and import controls, coupled with increased exports, continue to give Colombia a favourable trade balance.

The combination of a sound fiscal policy, the signing of the new coffee agreement, the payment this September of the final instalment on more than 80 per cent of the foreign debt, and the general confidence in Colombia's economic and political stability has made this one of the soundest economies in South America. As a result, foreign investment is increasing and Colombians are repatriating capital that they had sent abroad. In addition, the United States has advanced large dollar loans; the most recent was one for $7.9 million by the Export-Import Bank. Negotiations currently under way indicate that this organization plus a group of private U.S. banks may make a further loan of $1.03 million. Meanwhile, the peso has strengthened by more than 15 per cent: from over eight pesos per dollar at the beginning of the year to less than seven per dollar during the last few months.

General Conditions

Business activity in Colombia is still closely tied to trends in the world coffee market although the Government, by efforts to diversify agriculture and industry, is hoping gradually to decrease this great dependence on coffee sales.

Under the new coffee agreement with other Latin American and African producers, Colombia has a quota of 5,969,000 bags (60 kilos each), approximately 15 per cent of the total world market and almost 20 per cent of the quota established for Latin America. These percentages compare favourably with Colombia's past experience in the world coffee business and, provided the signatories abide by the terms of the agreement, should mean a guaranteed market for 90 per cent of her coffee output. Although it is impossible to predict the general level of world coffee prices, trade sources consider that current low levels (44.25 cents per pound on October 16) are likely to continue for some time. Because Colombia's budget and other economic measures are being based on these low coffee prices, any rise during the next year could give an added impetus to business activity.

Financial Conditions

A tight rein continues to be kept on credit and banks are finding it difficult to meet the credit demands of their clients. Some foreign companies that used to borrow from local banks have had to supply their subsidiaries in Colombia with working capital from outside sources. The recent strengthening of the peso, although excellent for national prestige, has certain drawbacks. One is that the receipts from coffee sales in terms of pesos have dropped and the Government had to take steps in September to raise the amount paid to the growers from 38.00 to 40.50 pesos per 25 pounds. Moreover, some bankers feel that investment by foreign firms may be delayed until the future exchange rate of the peso is established with more certainty.

One important factor in the strengthening of the peso in September was a change in the regulations covering the "reintegro cafetero". This "reintegro" is the amount of dollars that coffee exporters must turn over to the Central Bank for every bag of coffee exported. In addition to the official dollars that, up to September 12, an exporter obtained from his coffee sales, he also had to obtain approximately US$9.00 in the open market to make up the US$75 that he had to turn over to the bank. After the new regulations were issued, he only had to obtain about US$3.50 in the open market and hence there was a considerable relaxation in the demand for dollars by this industry.

The balance-of-payments position of the country is still improving and has been a factor in the strengthening of the peso. Gold and dollar holdings of the Central Bank continue to rise and, at over US$210 million at the end of August, are more than 40 per cent higher than they were a year ago. They should improve further during 1960 because on September 1 the last notes issued by the Central Bank under the 60-40 debt settlement with the dollar countries were paid off. Approximately US$207 million in foreign commercial debt remains to be settled but it is expected that this can be wiped out over the next few years without undue strain.

Foreign Trade

Again in 1959 Colombia appears likely to have a favourable trade balance, although it may not be as large as the $90 million of 1958. For the first eight months of the year, exports totalled $272 million

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and imports $242 million, leaving a favourable balance of $30 million as against $77 million during the first eight months of 1958. In spite of a world surplus of coffee, Colombia increased her exports during the first eight months of 1958 by almost 30 per cent.

COLOMBIAN COFFEE EXPORTS

To	1958	1959
United States	2,517,000 bags	3,152,000 bags
Europe	552,000 "	806,000 "
Others	73,000 "	94,000 "
Total	3,142,000 "	4,052,000 "

This increase in volume has helped to offset the more than 12 per cent fall in prices during the past twelve months and is the main reason for the favourable trade balance.

The other important factor is the continued tight control of imports. Colombia maintains a list of commodities the import of which is prohibited from all countries and a list of products subject to quantitative import licensing restrictions (licencia previa). Apart from licensing, imports are also subject to advance deposit requirements; in July these were increased for the largest group of imports from 100 to 130 per cent. At the same time, the period for which advance deposits must be maintained was extended from 60 to 90 days after clearance through customs. The authorities have attempted to keep imports at approximately $25 to $28 million per month, although the latest figures show a level of $30 million for the first eight months as against an average of $23 million for 1958. One reason is that the Government loosened import control slightly during the year (e.g., in August some restrictions on agricultural imports such as breeding stock were partially relaxed). A second reason is the tremendous pressure, because of the greater economic activity, for the import of capital goods and raw materials needed for industry.

A selected list of important Colombian imports that may be of particular interest to Canadian firms is given below.

A view of Paz del Rio, Colombia's integrated steel plant opened in 1954, which uses local deposits of iron, coal and limestone. It represents one step in the movement away from excessive economic dependence on coffee, toward greater diversity.

IMPORTS INTO COLOMBIA

	1958	1959
	(thousands of U.S.$)	
Wheat	2,783	2,404
Flour	319	1,263
Antibiotics	2,716	1,442
Electrical distribution equipment	1,622	1,122
Telephone apparatus	1,039	4,055
Wire and cable	2,351	666
Trucks	772	4,303
Auto chassis	63	1,596
Nylon yarn	1,045	1,023
Iron and steel bars and sheets	2,976	4,876
Industrial machinery	4,124	14,172
Colouring material	878	815
Gas and diesel engines	5,809	4,965
Engine spare parts	1,741	1,334
Kraft paper, etc.	303	603
Newsprint	1,405	1,129
Paraffin	806	1,060
Wood pulp (mechanical)	1,147	1,248
Cellulose	431	320
Disinfectants and insecticides	1,971	1,988
Polyvinyl plastics	1,168	1,244
Tractors	2,134	1,396
Tractor parts	304	670
Whisky	21	288

Imports of machinery, trucks and telephone apparatus have more than trebled, an indication of the current rapid industrial development. It is in this and related fields that Canadian companies may find their best opportunities. With increasing prosperity, more and more cities and towns are expanding their electric-power installations or are introducing automatic telephone systems for the first time. In the raw material field, imported chemicals, synthetic fibres, pharmaceuticals and non-ferrous metals are all in brisk demand.

Trade Agreements

Although Colombia has trade agreements with Czechoslovakia, Denmark, Ecuador, Finland, East Germany and Spain, the authorities generally favour multilateral trade. The Government has stepped up coffee sales to some of these countries through bilateral arrangements and, with some other European countries, through barter transactions. The latter, however, will not be authorized for the dollar countries.

The new Colombian customs tariff introduced on May 10, did not embody any significant changes affecting Canadian imports. The

major alteration was that the former exchange remittance tax of 10 per cent (payable in U.S. dollars purchased in the free market) on import payments through the certificate market was merged into the customs duties by the requirement that the first 10 percentage points of the ad valorem duty be paid in U.S. dollars purchased at the free exchange rate. The remaining part of the customs duty is payable in pesos.

Common Market

A trade treaty, a payments agreement, and a general agreement of mutual economic co-operation were signed between Ecuador and Colombia in August of this year. (See *Foreign Trade* of October 24, 1959.) It is expected that the business relationships between the two countries will develop to their mutual benefit although in the short term some industries may have some difficulty in adjusting to the new trading pattern.

On a wider front, there is increasing talk in private and government circles about the establishment of a common market based on the old Bolivarian empire. This would include the two countries mentioned above plus Venezuela and, eventually, Peru and Bolivia. The feeling here is that Latin America will establish three major common markets: Central America, Grancolombiana, and what is known as the ABC and U regional market (Argentina, Brazil, Chile and Uruguay). The main commercial argument in favour of the Grancolombiana Common Market is that by joining together on a regional free trade basis, a larger market (in this case 35 million people) would be formed. In addition, in the case of the Grancolombiana Common Market a sentimental and historical argument is being put forward: that the peoples who once fought together under Bolivar's banner for liberation should now work together for the welfare of, and a higher standard of living for, these same peoples.

From the practical point of view, it is interesting to note that some of the large U.S. and Canadian companies are already making plans to take advantage of this movement in Latin America towards regional common markets. In the case of the Grancolombiana Common Market, this has resulted in an influx of foreign capital, mainly to Colombia, to set up manufacturing and assembly plants. Although initially these plants will only be able to supply the expanding Colombian market (and in some cases Ecuador) it is hoped that within the next decade trade negotiations will have progressed to the point where they will be able to serve at least some of the other countries in this market.

Outlook for 1960

The prospects for increased domestic activity and foreign trade during 1960 are excellent. It is expected that next year the Government will permit some relaxation in both credit and import restrictions and this should result in an increased demand for machinery and other capital goods. As an indication of the types of capital equipment which will be imported in greater quantities next year for the private sector of industry, the current list of imported consumer goods should be a guide, because the Minister of Finance announced on October 14 that "the substitution of imports will be our preoccupation". In the public sector, the greatest need will be for electrical generating and transmission material, communications apparatus, transportation equipment and, in view of the Government's policy of expanding agriculture, a wide range of items, from breeding stock to farm machinery. •

Ecuador

Ecuador imports most of its manufactured goods, pushes its agricultural exports. Canadians could increase their share of the market for industrial machinery, chemicals, pharmaceuticals.

J. H. BAILEY, *Commercial Secretary, Bogotá.*

A first look at this country of contrasts—from snow-capped mountains to steaming jungles, from modern commercial centres to Indian villages—might lead one to think that it could never provide a sound foundation for business. Actually, Ecuador has one of the most stable economies in South America. Although the Government's anti-inflationary measures during the past two years have prevented business from booming, they have kept the economy on a sound basis.

Instead of trying to promote rapid industrialization, as is done in some other countries, Ecuador has concentrated on improving and diversifying agriculture (including public services in the rural areas, such as roads and electrification programs). As a result, most of the country's manufactured goods are imported, and stores in Guayaquil and Quito are stocked with products from all over the world: refrigerators, air-conditioners, small appliances, farm equipment, automobiles, tools, machinery, watches, jewellery, alcoholic beverages, sporting goods, cameras, glassware, cutlery, pharmaceuticals, beauty products, paper, firearms, and a myriad of other articles imported from leading in-

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dustrial nations. Because of the wide variety of goods from many sources, competition in this market is intense.

Foodstuffs, furniture and textiles are manufactured locally by Ecuadorian or foreign-controlled companies. The local textile industry is having difficulties at the moment because of contraband moving into the country in large quantities; it is expected, however, that this problem will be solved.

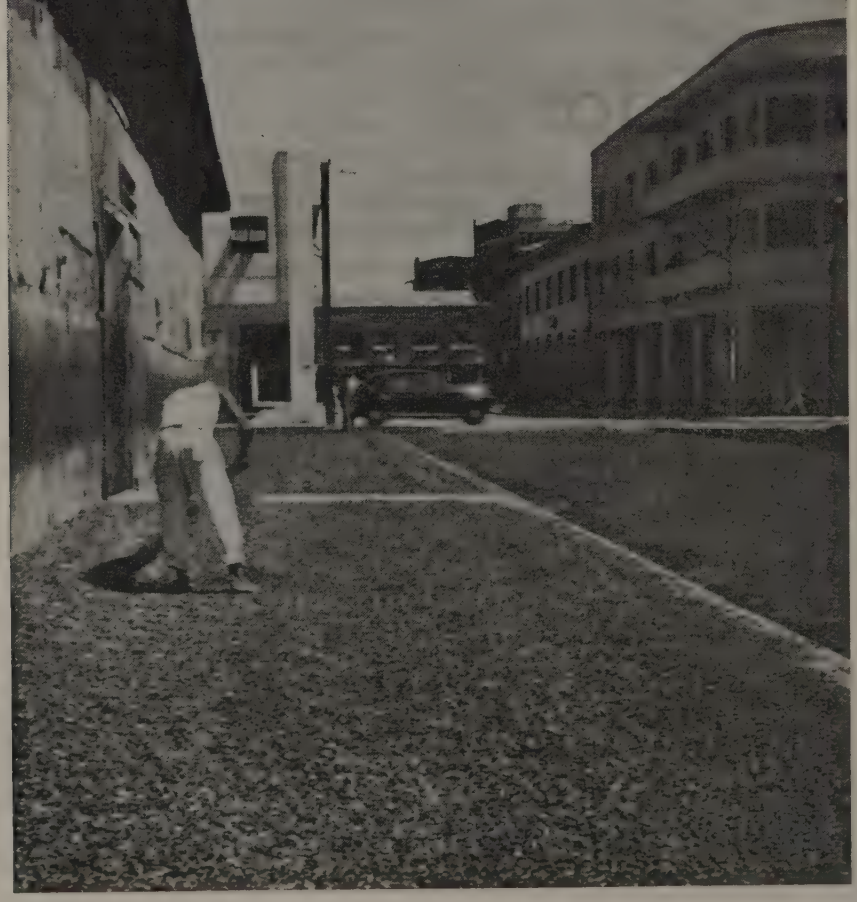
Investors Welcomed

The Government hopes that foreign investors interested in setting up new industries will consider establishing plants that will use local raw materials; fruit canning, sugar refining and glass manufacturing are some of the industries that would be welcome. The Government is not particularly anxious to assist in the establishment of industries that merely assemble products—such as bicycles, automobiles, appliances and radios—and for which most of the parts must be imported.

Pursuing a program of developing agricultural exports (coffee, bananas, cocoa, etc.), and allowing competition and tariffs to limit imports, Ecuador has had a favourable trade balance for the last 15 years. This is a unique achievement in South America (perhaps in the world) and is one of the prime factors in the stability of the sucre, the official rate of which was quoted at 6.3 cents Canadian on November 2. Favourable trade balances, plus budget surpluses (or at most minor deficits) during the past few years have given this country a well-earned reputation for good fiscal policy.

Ecuadorian officials are confident that a large part of the external debt obligations, such as bonds for transportation and hydro-electric power, will be liquidated during the next few years. Hence a large segment of the country's resources can be allocated to new domestic investment. It is expected that increased investment will, in time, considerably reduce chronic unemployment and raise the standard of living. This, in turn, should stimulate the market for all types of imports.

On one of the main streets of Guayaquil, Ecuador's chief seaport and largest city, cocoa beans are spread out to dry in the sun. Cocoa ranks with bananas and coffee as a leading earner of foreign exchange for Ecuadorians in the export market.



Foreign Trade

The biggest share of the import market, amounting to about 50 per cent during the past few years, ha

PRINCIPAL IMPORTS INTO ECUADOR 1958

(in thousands of dollars)

Wheat	$4,068
Tallow	1,075
Gasoline, etc.	3,119
Lubricants	1,330
Antibiotics	1,435
Other medicines	2,981
Buses	1,384
Truck chassis	2,461
Thread of artificial silk, synthetic fibres	1,199
Bars, iron and steel	1,968
Sheets, iron and steel	1,172
Machinery	4,144
Heavy earthmoving machinery	1,116
Telephone equipment	1,530
Tractors	1,246
Trucks of more than three tons	1,252
Tires and tubes	2,093
Newsprint	1,285
Tractor spare parts	1,814
Aircraft	1,157
Cigarettes	1,904
Chemicals	1,280
Automobiles	5,775

been won by the United States. Germany is second with 13 to 15 per cent, and the United Kingdom, Canada and Belgium are competing for third place this year with about 4 to 5 per cent each.

Japan is also an important competitor in certain fields such as textiles and has become an even more important supplier since the removal by the Ecuadorian Government of the special surcharges of 20 to 40 per cent ad valorem imposed in 1956 on Japanese imports because of Ecuador's continuing unfavourable trade balance with Japan. By virtue of the most-favoured-nation trade agreement between Canada and Ecuador, Canadian exports are protected against the imposition of such penalty surcharges in the event of an unfavourable trade balance between Canada and Ecuador.

Market for Canadian Goods

Using the table as guide, it seems that opportunities for Canadian manufacturers lie in fields such as machinery (electrical equipment and industrial machines), chemicals and pharmaceuticals. In addition, it may be possible for Canadian suppliers to compete in price and quality with U.S. firms who sold the following products in Ecuador last year: animal and fish oils ($923 thousand worth), refined vegetable oils ($693 thousand), glass ($539 thousand), soap and toilet preparations ($442 thousand), photographic goods ($209 thousand), scientific equipment ($305 thousand) and musical instruments ($268 thousand). Detailed information on the market for these or any other goods may be obtained from the Commercial Section of the Canadian Embassy in Bogotá, Colombia.

It is expected that business conditions in Ecuador will improve slightly next year and officials predict a modest 3 per cent increase in general business activity. Large capital expenditures on the port of Guayaquil, hydro-electric installations, and a new pipeline joining Quito to a deep-water terminal should more than offset losses to the economy because of depressed coffee prices and a textile industry handicapped by large contraband imports. Companies selling in this market would be well advised to verify the credit status of individual customers, even though the foreign exchange and credit position of the country as a whole is sound. ●

Paraguay

Bigger exports, more investment capital from abroad, and new trade and payments agreements with other countries mark Paraguay's firm strides towards economic recovery.

BLAIR BIRKETT, *Commercial Counsellor, Montevideo.*

WITH the monetary stabilization program initiated in 1956, Paraguay began its march toward sound financing and recovery from the chaotic conditions that have plagued it since the war. Imports have continued to rise because of the facilities of the free exchange markets though only a small adverse trade balance appeared at the end of 1958. But the deficit was under control and for the first half of 1959 Paraguay found itself with a favourable trade balance, thanks to increased exports rather than reduced imports.

Improvement Continues

The stabilization program also directed financial credit toward those sectors of the economy that needed development most; this had a favourable effect on the general volume of output. Though there have been two recent failures of the cotton crop, other agricultural production expanded in 1958 and this advance is being maintained. Convertible reserves show a marked increase. Imports and exports have risen, with meat exports the largest in several years. Corn shipments are high and prices good. Paraguay also escaped the widespread floods that affected Argentina, Brazil and Uruguay so seriously.

The continued improvement during the first half of 1959 has created a feeling of cautious optimism in business circles.

Foreign Loans Help

The renewed confidence that the general economic stability engendered has attracted foreign investment. A new United States bank has been set up with a capital of 50 million guaranies (Can.$1.00= G.127.5). Negotiations are well advanced for the establishment of other financial and development institutions. Foreign loans to private industrial firms were granted throughout the year, including one of *$2.6 million from the U.S. Development Loan Fund to the International Products Corporation, and one of $1 million for modernizing the telecommunications system. The Spanish Government also authorized a peseta loan of about $2 million for the purchase of Spanish ships and lighters.

During the year there were no defaults on international payments and repayments on the London loan of 1871 and the recent loan from the IMF were made regularly. In May and June last year, the IMF sent two delegations to Paraguay to inspect the stabilization program

*All values in this report are in U.S. dollars, except those referring to trade with Canada.

and to renew the technical and financial agreement. In November, the IBRD sent a technical mission to study the possibilities of issuing long-term credits for development, fields for investment, and the possible organization of a development bank. Negotiations are still proceeding.

International Agreements

Last June Brazil agreed to grant free-port facilities to Paraguay in Paranagua, thus providing an outlet to the sea more direct than that via the River Parana and the River Plate.

Five agreements were signed with Spain early in the year. The first concerns dual nationality for both Spanish and Paraguayan migrants. The second accords equal benefits under social and other laws. The third establishes free-port facilities for Spain in Paraguayan river ports. The fourth relates to the construction and sale by Spain of vessels for the Paraguayan merchant fleet, and the fifth deals with a new Spanish shipping line that offers direct service between Spain and Paraguay.

An agreement with Japan was signed in July under which Paraguay is to receive a loan of $3.8 million repayable over a period of ten years. It will finance the purchase of five river cargo boats, a cattle transport vessel and a refrigerated barge. Under the terms of the agreement Paraguay will accept as immigrants up to 3,500 Japanese families a year for a period of 30 years.

In June, a new trade and payments agreement was signed with Argentina that practically introduces free trade between the two countries. According to the agreement, payments for goods may now be made freely in the currency of either country or in any other freely convertible currency. Previously such payments were made at a fixed rate of exchange and this proved unfavourable to Paraguay. The new terms also apply to the payment of freights, insurance, and financial transfers of all kinds. The agreement makes provision for standardized transport charges and tariffs to encourage the exchange of goods.

Paraguay participated in the recent conference in Montevideo on the proposal to create a regional market among the southern countries of South America.

The Pure Oil Company has been to date unsuccessful in its search for oil in Paraguay. Work has recently stopped on the fourth well to be drilled; engineers reached a depth of 10,639 feet without a strike. Press reports state that the company's investment so far totals some $6 million and that the future of its operations in Paraguay is uncertain.

Some Import Controls

An indication of confidence in the economy is that on September 11 the Banco Central modified the percentages of deposits applicable to imports. Imports previously subject to prior deposits of 10 per cent no longer require any deposit; those previously at 25 per cent now require 20; those at 60 per cent, 50; and those at 400 per cent, 300.

To finance the building of the Trans-Chaco railway all imports since August 1 are being taxed 5 per cent on c.i.f. value.

Foreign Trade Expands

During 1958 Paraguay exported goods and materials worth $34.1 million, compared with $32.9 million in 1957. The leading exports were timber, which earned $9.7 million, meat products $8.1 million, raw cotton $3.7 million, and quebracho extract $3.5 million.

Imports, at $32.6 million, increased in value by 19 per cent and in volume by 16 per cent over the 1957 total. The value of food imports totalled $5.9 million; machinery, apparatus and motors $5.4 million; iron and manufactures $4.6 million; textiles and manufactures $3.9 million, transport equipment $3.7 million and fuels $3 million.

In 1958 Paraguay chalked u a favourable trade balance of $1. million, which rose to $3.6 millio during the first six months of 195 Imports decreased and exports in creased, compared with the corres ponding period in 1958. Mea exports were the biggest in years and meat products and hides als showed large gains. Cotton export because of two crop failures, ar running below normal.

The annual report of the Ministr of Finance states that since th inauguration of the free exchang system, and particularly durin 1958, confidence in the currency ha led to a renewal of commercia credits on favourable terms; th black market and the resulting hig prices have disappeared and a kinds of capital and consumer good have been imported. Unfortunatel statistics are not available to sho the direction of trade in the pas two years.

Canada Buys, Sells More

Canada's principal trading in terest in Paraguay continues to b the purchase of canned corn bee quebracho extract, soup prepara tions and chinawood oil; and in th sale to Paraguay of rubber tire farm implements, machinery an parts, motor cars and metals.

Canadian exports to Paraguay i 1958 totalled Can.$184,166, com pared with Can.$172,096 in 195 Imports from Paraguay, at Can $347,480 and Can.$277,647 i 1958 and 1957 respectively, create a balance of trade in Paraguay favour each year.

Bolivia

The Commercial Secretary i Lima, Peru, whose territory include Bolivia, visited that country fro November 3 to 18. He is now pre paring a report on business cond tions there; it will be published i an early issue.

Peru

Situation is improving, with smaller trade deficit, boost in foreign exchange reserves, and larger earnings from sales of agricultural, fisheries and mineral products abroad. Some Canadian exports to Peru lagging but outlook seems promising, especially for raw materials and semi-processed goods.

W. J. JENKINS, *Assistant Commercial Secretary, Lima.*

PERU has had a difficult year, coping with problems that included a 15 per cent drop in the value of the currency; a deterioration in export earnings from falling world prices for cotton, sugar, wool and minerals; rising internal prices, and increased labour and political unrest. But at the moment of writing there are definite signs of recovery from this rash of difficulties. The currency has stabilized, prospects for export earnings have improved, and the business community is regaining its confidence.

Lima held a highly successful trade fair in October. The attendance was extraordinary and included visitors from neighbouring South American republics, Europe and North America. Foreign participation was large and this mark of confidence gave the business community new optimism for the future. About 75 Canadian firms took part in this fair.

Trade Deficit Narrowed

The combination of currency exchange depreciation, credit restaint and higher custom duties resulted in a 19 per cent decrease in imports during the first seven months of this year; the value of exports has remained about the same as in 1958. A US$48 million trade deficit at the end of July 1958 was narrowed to US$9 million at the same date this year. The balance of payments showed a surplus in August and September, enabling the Central Bank to replenish its international reserves; on September 15 these reached US$15 million compared with $4 million at the end of July. The payments situation should improve further in 1960 as new copper and iron ore developments come into full operation.

Peru's economy needs to recover the buoyancy it has lost since 1957. After increasing at an annual rate of 5 per cent between 1950 and 1956, the gross national product rose by only .5 per cent in 1957 and declined 1 per cent in 1958. At the same time, the population has been growing by 2.5 per cent a year.

New Cabinet Takes Over

The Peruvian Cabinet changed late in July and the new Premier and Finance Minister is concentrating on reducing inflationary pressures by restoring government finances. He inherited a 1959 budgetary deficit of the equivalent of $33 million and next year's fiscal requirements will be greater because of salary increases previously granted public employees, larger payments for social services, higher costs of servicing the debt, and other government payments.

The new Government has already taken several steps to increase revenue and curtail government expenditures. It has abolished subsidies on meat and guano, cut down on the use of official vehicles, and decreed the immediate payment of all back taxes. The Cabinet has expressed its opposition to increasing the money supply by printing money. Instead, it hopes to foster a short-term market for government paper. It contemplates the issue of tax certificates bearing an adequate interest rate which, within a framework of currency stability, should sell readily.

The draft budget submitted to the Legislature in August estimated that expenditures for 1960 will reach soles 7,691 million, an increase of 845 million or 12 per cent over 1959's forecast. Ordinary collections for 1960 are forecast at soles 4,645 million, which is 695 million or 18 per cent greater than this year's revenue.

Foreign Exchange Market

Reflecting the improvement in the balance-of-payments position and the greater confidence in the future of Peru's currency, the foreign exchange market has been stable since July. The Canadian dollar rate has settled at around soles 29 after declining to a low of more than soles 31. The rate a year ago was S.26 per Canadian dollar. Foreign exchange earnings for the first eight months rose by US$18.5 million, or 7 per cent. This amount includes net drawings of US$16 million on stabilization credits and Central Bank reserves. Payments are running US$22.1 million or 8 per cent ahead of the same eight months of last year. At the end of August the exchange deficit reached US$11.8 million compared with US$8.2 million at the same date last year.

In 1958 Peru received stabilization credits of $40 million from the Export-Import Bank and $60 million from the International Monetary Fund, U.S. Treasury, and private U.S. banks. By the end of September of this year she had used up $16 million of the Export-Import Bank credit. Peru also resumed on October 16 the IMF standby arrangement, with drawing rights of $10.5 million; the Peruvian Government in July had suspended temporarily the use of this IMF credit pending the introduction of a new fiscal policy. In addition, she still has recourse to $24 million in credits from the Ex-

port-Import Bank. Because of the recent favourable balance of payments, the Central Bank is rebuilding its reserves.

Exchange Remains Free

The new Peruvian Cabinet has promised to continue the free exchange system, without import quotas or restrictions. Peru's natural resources, stable government, and freedom from exchange controls still make her attractive to foreign investors. However, the previous Government's failure to allow foreign oil, telephone, and railway companies operating in Peru to increase their controlled prices and rates has undoubtedly deterred some foreign capital from entering the country. The new Government, however, authorized price increases on petroleum products, but only after the position of the oil companies had become desperate. To date Canadian, U.S., German, Venezuelan, French, and Japanese capital has shown interest in Peru.

Agricultural Exports

The value of principal agricultural exports this year is running slightly ahead of 1958. Shipments of farm products totalled US$51.1 million at the end of the first six months of 1959, an increase of 3 per cent over the corresponding period of last year. Wool and sugar shipments were up in value; cotton and coffee exports down. A slight increase in the volume of cotton exports offset steady price declines in the earlier months of this year. Prices have recovered and cotton dealers are mildly optimistic.

Weakening prices and labour disputes have hampered sugar growers. Like cotton, a greater volume of sugar exports has offset declining prices. At the end of eight months of 1959, sugar exports had increased 24 per cent in volume over 1958.

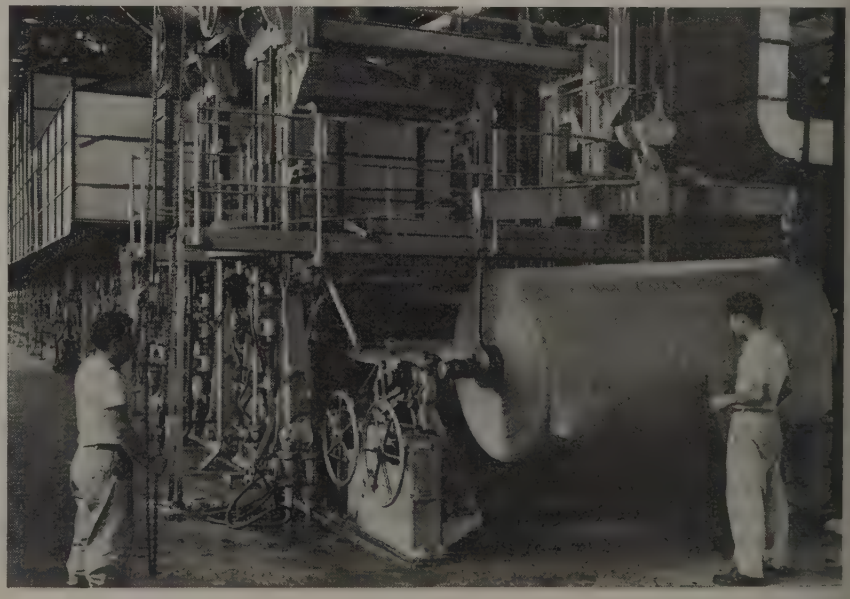
During the third quarter of this year the Government abolished subsidies on imported meat and lifted domestic price controls in an effort to promote the expansion of the domestic cattle industry. For the past seven years Peru's breeding-cattle population has been estimated at between 3.2 and 3.5 million head. Meat imports in 1958 totalled 12,000 metric tons valued at about US$6 million. Peru has been a good buyer of Canadian breeding stock, but the decline in the currency has made imported breeding stock too expensive for most of the cattle raisers. Canada shipped eight head to Peru in 1958 compared with 109 in 1957.

Fishing Important

The fishing industry continues to make great strides and this can truly be described as a record year. At the end of the first six months, exports of marine products had already reached US$20.1 million, compared with US$20 million for the entire year 1958. Peru has now taken fifth place among world producers of fish products. Fishmeal exports at mid-year soared to US$14.5 million, up 179 per cent from the same period of 1958. Fishmeal is now Peru's third export, after cotton and sugar, and more than 200 thousand tons will probably be exported this year. First-half exports of frozen and canned fish also expanded appreciably, reaching US$4.3 million. Canada continued to take advantage of this expansion, shipping $157 thousand worth of synthetic-fibre fishnets to Peru during the first half of this year.

Mining Income Down

Reflecting the generally unfavourable marketing conditions, Peru's mineral exports during the first half



Peru's papermakers buy Canadian sulphate pulp and mix it with bagasse to produce paper. Four plants now turn out a wide variety of kraft papers, tissue and cardboard, but all newsprint is still imported, some of it from Canada.

of 1959 decreased by US$6.6 million or 13 per cent to US$43.9 million compared to the same period of 1958. Lead suffered the greatest decline, down by US$4.4 million or 30 per cent. Zinc sales rose in value by US$500 thousand, probably because an increased proportion of refined metals was exported. Another important centre of mining production went into operation in August with the first shipment from the Acari iron-ore mines in southern Peru. For the first year exports are expected to reach one million tons, later increasing to 1.5 million. Work on the Toquepala copper project (see *Foreign Trade*, May 23, 1959) continues ahead of schedule and first shipments should begin early next year. Two companies are working manganese mines in the Peruvian jungle and reportedly will begin producing soon.

Before the price increase granted by the Government in July, the foreign oil companies operating in Peru had ceased all exploration work. A decrease in 1959 output of 25 per cent was feared and unemployment in the oilfields was becoming serious. Since the Government raised prices in July to a reasonable level, drilling operations have been resumed. The Government intends to submit to the legislature a bill designed to attract capital for the development of the natural gas industry to replace bunker fuel, which is now imported in quantity. The proposed legislation would set the Government's share of the profit at 50 per cent.

Manufacturing Industries

During the year a series of new plants was inaugurated in Peru. A factory to manufacture tungsten-carbide-tipped drill rods and threaded drill rods began operating in 1959. The drill steel is coming from Canada and the tungsten carbide inserts are supplied by Kennametal of the United States. A subsidiary of the Montecatini interests of Italy began producing artificial fertilizers in 1959. The company's annual output will amount to 30,000 metric tons of ammonium nitrate, fertilizer grade; 5,000 of ammonium nitrate, technical grade; 15,000 of ammonium sulphate; 1,500 of 98 per cent nitric acid, and 1,900 of anhydrous ammonia. An 8,500-ton oil tanker, the first ship of its size to be built in South America, was launched from the Peruvian Navy Yard at Callao in July.

A new Peruvian firm expects to start making refrigerators, washing machines, stoves and other domestic electrical appliances in 1960. The equipment will be manufactured under licence and with the technical assistance of the licensing companies. A subsidiary of W. R. Grace & Co., New York, is constructing a chemical manufacturing plant to cost about US$8 million and produce caustic soda, chlorine, and bleaching powder.

As a barometer of industrial activity, consumption of electricity in the greater Lima area during the first half of 1959 grew by 8 per cent over the same period of 1958. Sales of cement declined 2 per cent, indicating less construction activity.

An Industrial Promotion Law is before the Peruvian Legislature for approval. Among the principal provisions are tax exemptions of up to 30 years for the reinvestment of profits, exemption from import duties on machinery and material for up to 20 years, a grace period of up to 10 years on the payment of income tax, increased depreciation allowances on machinery, and tariff protection.

The structure of Canadian exports to Peru was described in detail in the August 15, 1959, issue of *Foreign Trade*. Canada sells each year about $11 million worth of commodities to Peru and purchases roughly $2 to $2½ million worth. Our sales this year of all items in general have declined and particularly those of mining machinery, washing machines, and pulp and paper. Canadian wheat sales to Peru are doing well and it is probable that our total exports to Peru for 1959 will not be far below 1958 in value.

Prospects for Future

Generally, Canadian exporters should not expect to expand their sales to Peru during the coming year and in some cases a contraction is probable. The stores are overstocked with household appliances and consumer goods and the rising cost of living has reduced retail sales of these. At all levels of business, liberal credit terms are the practice. As the local bank interest rate is over 15 per cent a year, foreign suppliers are expected to finance the Peruvian importers. Thus Canadian exporters who do not offer credit to Peruvian buyers will put themselves at a competitive disadvantage.

Despite the above qualifications Peru, with its comparatively stable political climate and freedom from exchange controls, should remain a small but reliable market for Canadian products. If the proposed industrial law achieves its objective Peru will become less dependent on foreign goods, but Canadian sales lost to Peruvian-made products should be offset by increased orders for raw materials and semi-manufactured goods.

Argentina's Power Problem

Helping Argentina to overcome the power shortage that hampers its industrial development is the first project undertaken by the United Nations Special Fund. The Fund is putting up $250 thousand to finance a study of the Argentine power problem and produce a workable program. A field-work team will estimate how much power the country will need in the next decade, study how this can best be provided, and estimate what investment will be necessary. Its members, drawn from one U.S. and one British consulting firm recommended by the World Bank, will also suggest short-term measures to meet the power deficiency in certain areas until major projects can be completed. They have already started their work and expect to complete it early in 1960.

Uruguay

Damage from floods has hit farmers and cattle-raisers hard and slowed up recovery from economic slump of last few years. Imports still severely limited, as Canadian sales figures reflect. More realistic system of exchange control may be adopted shortly.

BLAIR BIRKETT, *Commercial Counsellor, Montevideo.*

CONDITIONS in Uruguay during this year have not improved over 1958. Indeed, there has been no appreciable change since shortly after the serious financial crisis in October 1957, when drastic measures had to be adopted.

At the end of 1958, because of severe restrictions on imports, a small favourable balance of trade (some US$4 million) was achieved, compared with a deficit of $98 million in 1957. Had this balance resulted from an improvement in the movement of wool, meat, hides, etc., abroad, Uruguay's prospects would be brighter. But it was entirely the result of cutting imports to a level that has to be maintained at least throughout 1959.

Solution Proposed

The situation that the new government (elected in November 1958) inherited last March was a difficult one. Plans were well advanced for the application of measures gradually to set the economy on the rails again when damaging floods hit the country in April. Uruguay's productive power was damaged considerably and the Government realized that a complete new regime of exchange control, agricultural reform, and sound financing had to be introduced. By adopting a more realistic exchange system—mainly to encourage exports—the country will probably obtain assistance from the IMF and other international organizations. This, combined with genuine efforts to resuscitate the meat and wool industries and foster greater production, forms the basis of the plans now before Parliament for approval.

The Government is regarded as capable and there are high hopes that the constructive measures to be applied—given normal conditions of climate and the willing co-operation of business, industry, and the people as a whole who must accept less easy living conditions—will produce the desired result.

Flood Damage Great

A major disaster struck Uruguay during the month of April. Continuous and unprecedented rains that started towards the end of March and lasted for about two months resulted in floods over the greater part of the country. The Rio Negro overflowed the dam at Rincon del Bonete and flooded the power station, one of the principal sources of power not only for Montevideo but also for most of the country. The shortage of electricity has seriously disturbed industry and the population generally. The new hydro-electric plant under construction at Rincon de Baygorria was also damaged. Since August, conditions have improved gradually and the work of reconstruction, planting and repair is progressing slowly. The effects of the flooding, however, will be felt for some time.

Cattle and sheep-raising and agriculture suffered a serious setback; estimates place the loss of cattle at 2 per cent and sheep at 8 per cent. The Ministry of Agriculture puts agricultural losses at about 200 to 300 million pesos.

In all about 40,000 persons from different areas had to be evacuated and many foreign countries came to the assistance of Uruguay. Cash contributions were made through the Red Cross, and in addition, supplies of badly needed food, drugs, clothing, etc., were provided.

IMF Mission

In June last, a mission from the International Monetary Fund visited Uruguay. Its report has not yet been made public but a summary appeared in the Argentine press. It is believed that the mission concluded that a comprehensive plan to attain stability and promote export trade is essential. To this end it considers desirable unification of the exchange rates, elimination of exchange restrictions, termination of bilateral agreements, and control of bank credit, especially rediscounts.

Exchange Reform

The first step along these lines is now being taken. A bill at present before Parliament provides for a further transfer of imports and exports, (or the complete transfer of all items) to the free financial exchange market. At the same time, all remaining discrimination as to countries of origin for imports will be removed.

Exporters will remember that in October and December 1958, 2nd and 3rd category imports were granted quotas totalling US$7 million. These imports, previously paid for at the rate of Uruguayan peso 4.10, were transferred to the free financial market and surcharge added that increased the cost to the importer considerably—up to peso 16.00 per U.S. dollar. In April 1959, about 37 per cent of 1st category goods were moved from the pesos 4.10 rate to the free financial rate. The pesos 1.5 rate was retained for government payments and newsprint, and most raw materials other than fuels were moved from the pesos 2.10 to the pesos 4.10 rate. At present, therefore, it is reckoned that about 25 per cent of trade (based on 1958 imports) now takes place at the pesos 1.5 and 2.10 rates, about 35 per cent at the 4.10 rate and the remaining 40 per cent at the free financial rate. Import

licensed for payment through the free financial market are now restricted by country of origin but, as with imports financed at the controlled rates, they may only be purchased within the limits of the established quotas. Since December 1958 no quotas for 2nd or 3rd category goods have been authorized.

These changes to date represent a growing conformity with the advice and requirements of the IMF, to which Uruguay looks for substantial financial assistance. If a single exchange rate is to be established shortly, all importers can anticipate the return of the pattern of trade before any control was introduced —within the limits of quotas. It will also pave the way for the abolition of bilateral trade agreements.

Production and Exports

The export picture in 1959 is not bright. The 1958-59 and the 1959 winter harvests were failures in one degree or another. The wool clip was sold at remunerative prices, but the foreign exchange income will not cover Uruguay's essential imports and debt-service charges, estimated at US$196.5 million for 1959. The unfavourable trading balance for the year so far stands at about US$23 million.

The production and export situation for Uruguay's main products is outlined in the following paragraphs.

• *Wool*—The 1958/59 wool clip proved smaller than in the previous year. The total yield was estimated at only about 75 million kilos, with a carryover from the previous clip of some 15 to 20 million kilos, mostly of inferior qualities. Thanks to assistance in the form of more favourable exchange rates, etc., the season went well and only a negligible quantity of wool was left unsold at October 1 this year, the beginning of the new season.

During the first ten months of the 1958/59 season (which opened October 1, 1958) wool shipments totalled 173,050 bales, compared with 114,435 bales for the corresponding period last year. The leading buyer continued to be the USSR with 26,450 bales (18,260 last season) followed by the United States with 23,400 (6,100) and the United Kingdom with 16,330 (17,812). Canada bought 1,344 bales compared with only 140 the season before.

For the 1959/60 clip a reduction in yield of about 10 per cent is estimated and quality will be lower, but higher world prices will compensate considerably.

• *Meat*—The meat industry is still in serious difficulties. Inadequate stocks of beef cattle are the main reason for the continued shortage of good and plentiful meat, whatever other factors may be involved. The following table gives an idea of how serious this situation is, especially in view of the increase in local consumption over the past fifty years.

Year	Beef cattle
1908	8,192,000
1924	8,432,000
1937	8,297,000
1946	6,821,000
1951	8,154,000
1956	7,305,000

A recent census puts the figure for 1959 at around seven million, or a little over 2 per cent less than in 1956, mainly the result of the floods.

Butcher meat is still in short supply in Montevideo and supplies for export are on a very small scale, despite more favourable exchange rates and other inducements. On August 28 the National Council authorized the Ministry of Agriculture to import up to 2,000 tons of butcher meat from the Argentine; this is now being sold to the public at cost price.

There is thus a pressing need for more cattle. Several measures are being considered, such as the import of 250 thousand cows in calf from neighbouring countries and encouragement to farmers to turn back to cattle-raising the lands they have cultivated these past five or six years to wheat. Until something is done to increase the number of beef cattle, the economy will remain in a serious plight.

• *Crops*—In general, all crops were disappointing. The floods retarded winter sowings until well into July, with resultant effect on all cereal and root crops. The 1958/59 wheat crop was a failure; it did not exceed 300 thousand tons, or not enough for domestic needs. About 100 thousand tons have been borrowed from the Argentine and supplies are expected under the U.S. Public Law 480 (with cotton and tobacco). Winter wheat sowings have been only 50 to 60 per cent of normal.

Foreign Trade

Throughout 1958 and well into 1959, Uruguay continued to carry on its trade as much as possible through bilateral agreements with certain countries (the "A" countries). Imports have continued to be restricted to all but essential items, with the sole exception of the quota for US$7 million for 2nd and 3rd category goods already referred to.

Exports in 1958 did not increase as expected and the small favourable trading balance resulted from drastic import restrictions. Preliminary figures for the first nine months of the year show that export exchange purchased totalled US$77 million and import exchange sold US$110.7 million, thus establishing an unfavourable balance of US$23.6 million. This adverse balance will continue until the new season's wool clip is sold.

Commercial exports and imports for 1958 totalled US$138.6 million and US$134.6 million respectively, compared with US$128.2 million and US$226.4 million respectively in 1957. Traditional markets in the United States and Europe continue to take more than half Uruguay's exports. The value of exports to Communist Bloc countries has increased to over one-third of the total.

The United States and Europe continued to be the main suppliers but the Communist countries improved their position, with nearly 6 per cent. In the first nine months of 1959 the Communist percentage rose to 14.6.

The value of principal imports during 1958, with comparable figures for 1957, was as follows:

	1957	1958
	'000's US$	
Raw materials	93,855	56,111
Fuels and lubricants	16,016	28,883
Machinery, etc.	26,635	11,269
Building materials	17,943	7,497
Motor vehicles	27,139	7,149
Groceries and beverages	16,373	7,069
Electric appliances	3,484	4,631
Seeds, plants, etc.	2,427	3,792
Chemicals and pharmaceuticals	6,013	3,602
Hardware in general	3,764	866

The values of the principal exports in the same years, in thousands of U.S. dollars, were:

	1957	1958
Wool	43,393	63,447
Wool tops and fabrics	24,983	21,544
Agricultural products	8,452	16,535
Meat and by-products	27,473	14,611
Skins and hides	11,078	9,020

Continuing the pattern of trade of these past two years to September 30, 1959, the bulk of imports were made up of raw materials and fuels and exports consisted mainly of wool.

Trade with Canada

Uruguay's imports from Canada during 1958 totalled US$1,730,000, according to local official statistics, or 1.27 per cent of the value of total imports, compared with US$4,121,000 in 1957 (or 1.82 per cent of the total). During the first six months of 1959 Canada's share (according to DBS figures) was valued at Can.$198,100.

The values of the principal purchases from Canada in 1957 and 1958, in Canadian dollars, were:

	1957	1958
Seed potatoes	300,000	343,000
Synthetic resins	124,316	128,214
Newsprint	1,077,027	102,528
Wood pulp	358,900	79,958
Pig lead		59,757
Elastic fabric	36,198	36,750
Asbestos fibre	322,922	22,924
Dental and surgical equipment		28,550
Farm implements and machinery and parts	596,460	22,374
Milk preparations	29,633	17,637
Papermakers' felts	3,150	10,562

During 1958 some important items disappeared from the list, such as synthetic fibre thread and yarn, steel sheets, typewriters, calculating machines, motor vehicles and parts, aluminum ingot, farm machinery (only parts remained), nickel and brass, electrical equipment, asbestos shorts, sandpaper, calcium compounds, and polystyrene—all of which formerly found a market in Uruguay.

This process of elimination and reduction of imports from Canada continued into 1959. Wood pulp, newsprint, asbestos fibres and brake lining all disappeared from the record, and others, such as parts for farm machinery, pig lead and synthetic resins, were reduced.

Since the decree of June 24 by which a fair proportion of 1st category goods was switched to the free financial rate with no restriction on country of origin, and the controlled market rates further limited to strictly essential articles, (see section titled "Exchange Reform"), importers of Canadian farm-machinery parts, aluminum ingot, asbestos fibres and several other commodities on the free financial rate list are placing orders again. When all items are freed for purchase through the free market—and this is fully expected by the end of the year—the former competition between world suppliers to this market, based on price, quality, and delivery, will return.

It is early yet to venture an opinion about the pattern that Canadian trade with this country will then assume. During recent years newcomers have been supplying some of our important and traditional products and these suppliers will expect to stay in the market if they can. However, most of them will lose the advantage of the bilateral trading agreements that gave them special consideration. •

Venezuela

Government revenues are rising, oil production again increasing, and new industries springing up. Higher tariffs and further import controls have been introduced but Canadian sales rose 10 per cent last year and continue to expand.

R. E. GRAVEL, *Commercial Counsellor, Caracas.*

THE Venezuelan economy is now settling down to a more normal level of business activity, after the upheaval that followed the change of government in January 1958.

From the time of its inauguration, the new regime has set itself three economic objectives, and these have become the foundation of its stabilization and development plans.

1. Increased government revenues from oil.

2. More rapid diversification of industry, with the aid of foreign capital.

3. Long-term development of agriculture and livestock breeding.

One of the most important tasks undertaken by the Provisional Government Junta just before President Betancourt's Constitutional Government came into office was the revision of the Income Tax Law. One change introduced was a rise in the tax rates. The tax on the highest income bracket was upped from 27 to 45 per cent; this applies equally to Venezuelans and foreigners and to all taxable sectors. It has automatically brought about an increase in the country's share in the profits of the oil industry and constituted a break-away from the established 50-50 pattern.

As a direct result of the changes in the Income Tax Law, Treasury receipts during the first eight months of 1959 exceeded by 1,031.04 million bolivars the 1958 income for the same period. At the end of August 1959, government revenues exceeded expenditures by approximately 140 million bolivars; during the same period in 1958 there was a deficit of 923 million bolivars. However, the high 1958 figure was largely the result of the abnormal conditions that followed the 1958 overthrow of Venezuela's dictatorship (for example, partial settlement of the former regime's extensive debts).

Industrial Development

A stronger effort than ever before is being made to industrialize Venezuela because the Government and the people in general realize the danger of basing the whole economy largely on one product, petroleum.

Definite plans have been made and are being implemented to stimulate the development of private enterprise and healthy competition; to adopt measures to diversify, increase and protect local industry, and to use an important share of public income and investment to further national production directly or indirectly.

The Government has taken two important steps so far: protection for infant industries and credit assistance for industry generally from the Venezuelan Development Corporation.

Tariff increases and licensing restrictions have been introduced several times during the present year. The most significant move was taken early in July, when eleven items were added to the list of products requiring an import licence. Included among these and of importance to Canada were powdered milk, copper wire and cable, and canned vegetables. The following items now require a previous import licence: hams, cured and canned; milk, powdered, evaporated, condensed and in the form of dietetic preparations; wheat flour; copper and copper alloy wires, cable and cord; tobacco, cigarettes and cigars; dietetic foods, fruit juices; lentils, peas and lima beans, canned or otherwise; soups, preserved vegetables, artichokes, sauerkraut, asparagus, Brussels sprouts, celery, canned or otherwise preserved; sweets manufactured from sugar; sauces and spices, mustard, pickles and mayonnaise.

Simultaneously with the enforcement of import controls, the Government is endeavouring to help local industry by giving more credit assistance and granting tariff exonerations on imported raw materials and equipment. In less than eight years, exemptions from tax totalling over 160 million bolivars have been granted of which 84 million has been extended by the Constitutional Government, in power only since February. As a result, many new industries have been established. Among them are a plant for manufacturing and canning wax in Valencia; a new laminated plastics factory at Guarenas; flour mills in Caracas, Maracaibo, Puerto Cabello and Puerto La Cruz; a $6 million powdered coffee plant and a Bs.1.8 million milk-drying plant. Plans are well advanced for an aluminum extrusion plant, a storage battery manufacturer is expanding production to 500 units per day, a local firm established in Valencia will soon can fresh juices, and there are also new plants manufacturing carbon black, paper cups, grease, fertilizers, kraft paper, boxes and paper bags.

There is also a marked interest in decentralizing industry and state governments are helping by engaging in friendly and profitable competition to offer to investors who plan to set up new industries special advantages and facilities in their jurisdictions. Apart from Caracas and its vicinity, Valencia, Maracay, Barquisimeto, Guarenas, Maracaibo, Puerto Cabello and the Guayanas region are for the time being the best zones for industrialization.

Investment Policy

The Venezuelan Minister of Development has announced an "open door" policy for investment. Venezuelan private capital and savings cannot supply the large amount of investment to meet present and future needs, and Venezuela therefore welcomes foreign capital for new and productive industries. Facilities for protection of foreign capital and strict observance of obligations to foreign investors are a Venezuelan tradition.

Agricultural Development

Another important move is agrarian reform. The proposed law that Congress is now studying would enable the Government to assign a tract of from 25 to 62 acres from public lands to each landless farming family of recognized ability, and otherwise help them with loans, seeds, implements and technical assistance.

In the meantime the Government has approved a five-year plan for livestock development. It calls for improvement of grazing lands and seeding of 180 thousand hectares of grass to be used later as feed; the import of purebred stock for breeding purposes; the import of 200 thousand head of cattle; the building of 25,000 kilometres of fencing, and the import of agricultural machinery and equipment. The sum of Bs.660.5 million has been assigned to cover this plan. A similar three-year plan to improve hog breeding has also been approved at a cost of Bs.18.8 million, and the Ministry of Agriculture is assisting coffee and cacao growers.

Production Advances

In spite of adverse conditions in 1958, production in most fields increased. Statistics for the current year are not yet available but everything seems to indicate that local production continues to rise. Much

1. VENEZUELAN PRODUCTION

Item	1957	1958
Crude petroleum	161,280,000 cu.m.	151,160,000 cu.m.
Iron ore	15,377,941 tons	15,484,543 tons
Coal	34,568 "	36,533 "
Gas	32,124,099,000 cu.m.	31,517,422,000 cu.m.
Power	1,908,028,000 kw.	2,250,262,000 kw.
Coffee (ground)	12,332 tons	13,572 tons
Rice (shelled)	27,191 "	22,596 "
Fish (canned)	13,706 "	15,489 "
Fish (fresh)	57,649 "	59,092 "
Milk (preserved)	4,009 "	4,584 "
Flour of wheat	7,783 "	26,761 "
Animal feed	84,885 "	107,413 "
Beer	153,875,000 litres	189,063,000 litres
Tires	575,819 units	674,661 units

2. VENEZUELAN FOREIGN TRADE

(in bolivars)

Year	Exports	Imports
1955	6,277,694,091	2,959,633,695
1956	7,096,885,646	3,438,443,383
1957	7,928,360,591	6,140,317,960
1958	7,776,874,936	4,798,126,346

3. CANADA'S TRADE WITH VENEZUELA

(in Canadian dollars)

Year	Exports to Venezuela	Imports from Venezuela
1955	30,755,871	187,277,463
1956	34,334,798	208,401,325
1957	39,843,687	248,144,971
1958	43,654,573	209,590,086
1958 (6 months)	21,545,693	96,668,551
1959 (6 months)	22,578,603	101,711,609

has been said about how restrictions have affected Venezuelan petroleum output and yet, although it did drop in 1958, the latest statistics show that the average daily output during the first six months of 1959 totalled 2,820,500 barrels—that is 296,200 barrels per day more than during the same period in the previous year. We give other production figures of general interest in table one above.

International Trade

Venezuelan foreign trade in 1958 was marked by slightly smaller exports and much smaller imports than in 1957, as table two illustrates.

Canadian exporters did not feel the impact of the fall in government spending and although over-all imports in 1958 fell by Bs.1,342,191,-614, Canadian sales to Venezuela rose by 10 per cent and continue to increase, as shown in table three.

At the end of 1958 Canada still ranked fifth among exporters to this country, supplying 3.1 per cent of Venezuela's total imports. The United States leads with 57.2 per cent, followed by West Germany 8.4 per cent, the United Kingdom 7.3 per cent and Italy 6.6 per cent.

Although agricultural products account for the largest part of Canadian exports to Venezuela, it is interesting to note that the general trade pattern is changing gradually. The sudden drop in flour exports and the increase in wheat shipments reflect the considerable development of flour-milling in Venezuela. Exports of eggs, dairy cattle, calculating machines, motor vehicles and parts (other than passenger cars) and manufactures of iron have also declined. Significant increases in

4. PRINCIPAL CANADIAN EXPORTS TO VENEZUELA

(in Canadian dollars)

Commodity	1959 (6 months)	1958 (6 months)	1958	1957
Flour of wheat	657,062	4,852,879	6,384,150	5,612,567
Milk, powdered (whole)	3,632,432	2,801,584	6,902,145	5,298,937
Eggs in the shell	2,096,558	2,628,804	4,104,623	2,614,106
Newsprint	1,150,583	1,190,944	2,241,839	2,460,687
Wheat	2,676,835	1,010,437	3,043,127	134,386
Cellulose products	1,036,905	840,273	1,723,695	1,569,722
Motor vehicles and parts, n.o.p.	74,575	702,571	811,598	60,324
Automobiles, passenger	1,257,211	593,641	1,100,536	1,061,182
Iron manufactures	175,877	424,180	754,114	955,070
Copper tubes, cable and wire	600,925	361,574	804,082	1,088,661
Planks, boards	626,520	359,751	864,753	2,215,757
Drugs and chemicals	499,378	274,636	723,979	667,930
Calculating machines	209,884	269,848	707,292	364,583
Dairy cattle	170,605	222,502	584,057	497,253
Transformers and parts	206,095	189,084	504,846	91,431
Gas engines and parts		168,394	291,317	247,757
Certified seed potatoes	195,866	72,200	695,059	812,520
Aluminum and aluminum manufactures	352,269	219,534	425,715	317,308
Marine engines and parts	329,675	nil	nil	nil
Railway rails	335,012	nil	nil	nil
Wood pulp, sulphate	385,586	30,565	183,441	11,792
Salmon	110,174	23,036	115,682	140,689
Cooked meats	101,040	nil	nil	177
Washing machines, electric	138,437	95,125	330,138	228,512
Machinery and parts, n.o.p.	317,145	156,712	493,958	1,617,301
Electrical apparatus	411,645	108,051	253,936	136,252
Synthetic resin manufactures	964,222	86,119	211,092	260,149

ome items are appearing that until ow passed unnoticed, such as narine engines and parts, railway ails, cooked meats, synthetic resin nanufactures, electrical apparatus, nd sulphate pulp. Exports of luminum and aluminum manufac- ures, salmon, electric washing nachines, drugs and chemicals, lanks and boards, and machinery nd parts have also increased. Table our on page 24 gives an exact idea f the export trend.

Venezuela is the second largest producer of crude petroleum in the world and petroleum accounted for approximately 95 per cent of Canadian purchases from Venezuela in 1958. At $200 million these were some 17 per cent smaller than in 1957, but even so they represent 72 per cent of all petroleum imports into Canada. We continue to be Venezuela's second best customer.

Venezuela has a hard and stable currency, freedom from exchange restrictions and for many years has been comparatively free of import controls. Competition is keen, especially from the United States, West Germany, the United Kingdom, Italy, Belgium and the Netherlands. Nevertheless, if Canadian firms are willing to take more interest in this billion-dollar market and offer competitive prices and service, particularly more liberal credit terms, our present small 3.1 per cent share of the market should increase considerably. ●

SHIPPING SERVICES FROM CANADA TO SOUTH AMERICA

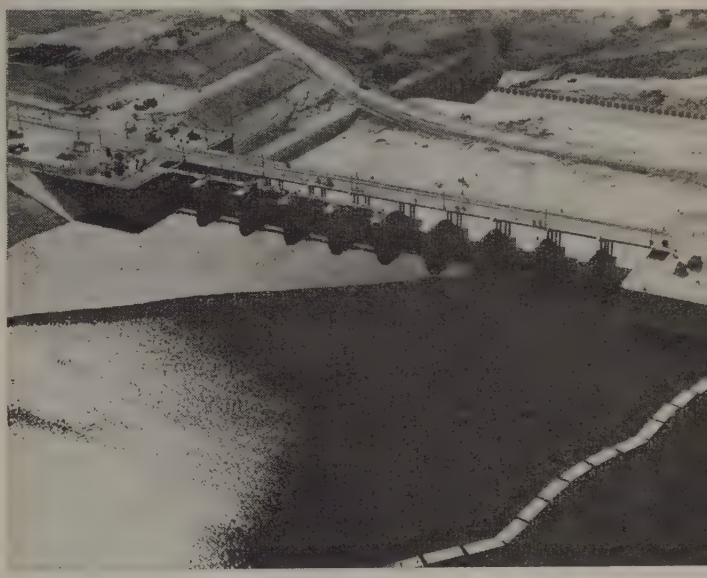
TO	FROM Pacific Coast	Great Lakes	St. Lawrence and Atlantic
Argentina	Daido Line Mitsui Line Moore-McCormack Lines Westfal-Larsen Line		Brodin Line Columbus Line Moore-McCormack Lines
Bolivia	*Via Mollendo:* Grace Line Grancolombiana		*Via Santos, Buenos Aires:* Brodin Line Columbus Line Moore-McCormack Lines
	Via Antofogasta, Arica: Chilean North Pacific Line Westfal-Larsen Line		*Via Antofogasta, Arica, Mollendo:* West Coast Line
Brazil	Daido Line Mitsui Line Moore-McCormack Lines Westfal-Larsen Line		Brodin Line Columbus Line Moore-McCormack Lines
British Guiana		Saguenay Shipping Ltd.	Saguenay Shipping Ltd. Royal Netherlands Line
Chile	Chilean North Pacific Line Grace Line Grancolombiana Westfal-Larsen Line		West Coast Line
Colombia	Chilean North Pacific Line Grace Line Grancolombiana Moore-McCormack Lines Westfal-Larsen Line	Grace Line Grancolombiana	Grace Line Grancolombiana West Coast Line

		FROM		
		Pacific Coast	**Great Lakes**	**St. Lawrence and Atlantic**
TO	**Ecuador**	Chilean North Pacific Line Grace Line Grancolombiana Westfal-Larsen Line	Grancolombiana	Grancolombiana West Coast Line
	Paraguay			*Via Buenos Aires, Paran* *gua, Montevideo, Santo* Brodin Line Columbus Line Moore-McCormack Lines
	Peru	Chilean North Pacific Line Grace Line Grancolombiana Westfal-Larsen Line	Grancolombiana	Grancolombiana West Coast Line
	Uruguay	Moore-McCormack Lines Westfal-Larsen Line		Brodin Line Columbus Line Moore-McCormack Lines
	Venezuela	Daido Line Mitsui Line Moore-McCormack Lines	French Line Grace Line Michigan Ocean Line Saguenay Shipping Ltd. Transcaribbean Line	French Line Grace Line Michigan Ocean Line Royal Netherlands Line Saguenay Shipping Ltd. Transcaribbean Line

Shipping Lines	**Agents**
Brodin Line	*Montreal Shipping Co., Montreal*
Chilean North Pacific Line	*Dodwell & Co., Vancouver*
Columbus Line	*Kerr Steamships Ltd., Montreal*
Daido Line	*Dingwall Cotts & Co., Vancouver*
Flota Mercante Grancolombiana	*Balfour Guthrie & Co., Vancouver* *Robert Reford Co., Montreal*
French Line	*Furness Withy & Co., Montreal*
Grace Line	*C. Gardner Johnson Ltd., Vancouver* *March Shipping Ltd., Montreal*
Michigan Ocean Line	*Shipping Limited, Montreal*
Mitsui Line	*Pacific Export Lines Ltd., Vancouver*
Moore-McCormack Lines	*Balfour Guthrie & Co., Vancouver*
Royal Netherlands Line	*Montreal Shipping Co., Montreal*
Saguenay Shipping Ltd.	*Saguenay Shipping Ltd., Montreal*
Transcaribbean Line	*Shipping Limited, Montreal*
West Coast Line	*Saguenay Shipping Ltd., Montreal*
Westfal-Larsen Line	*Empire Shipping Co., Vancouver*

In Chile—This Canadian transformer is the largest ever to be installed in Chile. Here you see it being unloaded at a new copper plant due to be inaugurated last month in Tocopilla.

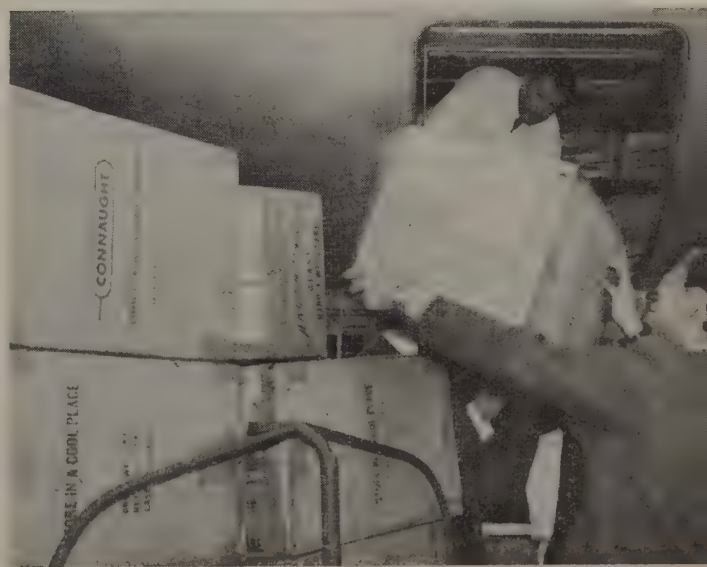
In Venezuela—Controlling the waters at the Guarico dam are Canadian-made flood gates; this photograph was taken during their installation. The dam irrigates 100,000 hectares of land.



Canada in South American Markets

Canadian exporters are invited to contribute to this series photographs of their products in use or on sale in foreign markets. Photographs should be adequately captioned, protected for mailing, and addressed to: The Editor, "Foreign Trade".

n Peru—During a South American tour, this Canadian jet-prop irliner stopped at Lima and impressed representatives of Peru's irlines, Air Force, and press with its performance in flight.



In Argentina—These cartons are receiving special attention as they are unloaded at Buenos Aires airport: they contain Canadian Salk vaccine ordered by the Argentine Ministry of Health.

Commodity Notes

Aluminum

JAPAN—Japan's interest in aluminum products has been growing steadily and the long-term potential is favourable. Per capita consumption averages about three pounds, compared with 27 in the United States and 19 in Canada. Japanese aluminum refineries have a total production capacity of about 110 thousand tons a year, with a potential economic capacity of 180 thousand. Japan recently authorized the import of 4,000 tons of aluminum, 75 per cent of which was bought from the Aluminum Company of Canada Limited—Tokyo.

Copper

CHILE—Copper production from the four large United States-owned copper mines for the period from January 1, 1959, to September 30, 1959, totalled 370,364 metric tons. This compares with 291,354 metric tons for the same period in 1958, an increase of 79,010 metric tons (about 27 per cent)—Santiago.

Cosmetics

BRITISH GUIANA—A British Guiana company with a capital of WI$20,000 has started making cosmetics. The first cosmetic factory to be set up in this country, it will supply "Don Juan" products in West Indian and home markets. The promoter, Mr. Mohamed Kassim, is also exploring the possibility of manufacturing toothpaste. The principal of an American firm is expected to visit British Guiana shortly to advise on the toothpaste project—Port-of-Spain.

Cotton Fibre, Cottonseed Oil

ARGENTINA—The Argentine Ministry of Agriculture recently estimated that 1.7 million acres have been seeded for the 1958-59 cotton crop, a reduction of 4.2 per cent from the previous year. This season's production is expected to drop 42.2 per cent from 1957-58 to 90,000 metric tons. Reduced fibre production will also lead to a decrease in output of cottonseed oil.

Production of cotton this season has been seriously affected by unfavourable weather, and by insect and weed invasions. These conditions have also impaired the germinating power of harvested cotton seed. The Argentine Government will thus allow the import o 1,000 metric tons of selected varieties of certified cot tonseed this year, rather than the normal import limi of ten kilos per variety. Imports in 1959 will b exempt from the 20 per cent import surcharge an sales tax. Six hundred metric tons have already bee bought from the U.S.—Buenos Aires.

Diesel Engines

BRAZIL—The Cummins Engine Company, manufac turer of diesel engines, will shortly set up a subsidiar in São Paulo. The new company, Motores Cummin Diesel do Brasil, will turn out major parts and open sales and service centre in Brasilia. It will operate unde Cummins Diesel International of Nassau, Bahamas— São Paulo.

Fertilizers

VENEZUELA—The president of the Venezuelan Petrochemical Institute recently announced that Vene zuela needs 40,000 tons of fertilizer a year, of which the local plant can now supply 25,000—Caracas.

Flour

VENEZUELA—A US$3 million flour mill that wil produce 200 tons of flour per day will be built on a 15,000 square meter area on the shores of Lak Maracaibo, State of Zulia. The venture is being under taken jointly by a well-known Venezuelan industrialis and by Pillsbury Mills of Minneapolis. Construction of the Molmar mill will begin in December and it is expected to be in operation by February 1961. It wil boast large silos and will be on a harbour where ship of up to 10,000 tons can unload grain from Canada and the United States—Caracas.

Industrial Greases

AUSTRALIA—Vacuum Oil Co. Pty. Ltd., at its Yar raville, Victoria, plant, has begun making all-purpose lithium grease and other industrial greases. Specia soap stocks are blended with oils in grease contracto kettles, heated by fluid heat-transmission plants. Pro

duction is expected to total six million pounds a year —Melbourne.

Iron Ore

VENEZUELA—Iron one production in Venezuela during July fell by 8.2 per cent from the June figure. Orinoco Mining Company produced 1,118,895 metric tons and Iron Mines de Venezuela 232,460 tons, to a total of 1,351,350. The United States absorbed 79.3 per cent of July production, and 9.1 per cent went to Germany, 7.7 per cent to Britain and 3.9 per cent to Italy—Caracas.

Metal Sheets

COLOMBIA—The Colombian Steel Company (Paz del Rio) has recently purchased a sheet mill from Chile with an annual capacity of 50,000 tons. The company expects to have this mill in operation within a year, producing metal sheets from 0.3mm. to 3mm. in thickness and up to 1.3 metres in width, in corrugated or flat galvanized sheets for roofing, and cold rolled steel sheets up to calibre 32—Bogotá.

Newsprint

UNITED STATES—Newsprint made from Southern hardwoods was successfully tested for commercial production in the October 8 issue of the *Savannah Evening Press*. Eight of the paper's forty pages were printed on the new product developed by Savannah's Herty Foundation Laboratories, which also pioneered development of newsprint from Southern pine. A Herty director has stated that newsprint made from hardwoods will be as good as or better than the nationally accepted Canadian and U.S. product. A $40 million mill is planned at Baton Rouge, La., to make newsprint by the Herty process—Washington, D.C.

Paper

COLOMBIA—The Grace Company of the United States is building a paper mill near Cali in Colombia. Investment will total about $10 million and the plant is expected to come into production next year. All types of paper with the exception of newsprint will eventually be produced—Bogotá.

VENEZUELA—Venepal, Venezuela's most important paper manufacturing plant, produced 14,000 metric tons of kraft paper, cardboard boxes and paper bags during the first eight months of 1959. The president of the company disclosed that Venepal is operating at 75 per cent of capacity and that by December 1959 production will rise to 3,000 tons a month—Caracas.

Paper Products

UNITED STATES—The First Canton Corporation, a subsidiary of the First Mississippi Corporation, has announced plans for a paper carton and box manufacturing plant at Clinton. The 30,000-square-foot plant will be built for the firm by the city of Clinton under the Mississippi "Balance Agriculture with Industry" Program. About 100 workers will be employed at the new plant when it is in full production—New Orleans.

PHILIPPINES—According to the Philippine Bureau of Census and Statistics, the Philippines imported US$16,997,427 worth of paper, paperboard and manufactures (including newsprint) in 1958, compared with $20,797,153 worth in 1957. The United States was the biggest supplier with $13,683,833 worth, followed by Japan $733,914, Canada $717,992, and Sweden $431,866—Manila.

Potatoes

URUGUAY—A National Potato Council has been formed that will inform the Government about the yield of potatoes, estimate the volume of production of each crop, study new methods of planting, introduce new varieties, set up experimental areas, etc.—Montevideo.

Sparkplugs

BRAZIL—The Cia. Brasileira De Velas Marchal, an associate firm of Propac S.A., is to begin production of sparkplugs at the end of the current year. The company will use 100 per cent Brazilian raw materials—Rio de Janeiro.

Steel

BRAZIL—It is reported that the firm of Demag A.G. of Duisburg, West Germany, has received an order for equipment from Cia. Siderurgica Mannesman of Belo Horizonte, state of Minas Gerais, for the expansion of its steel foundary. Completion of the expansion program, which is scheduled for 1961, will transform this foundry into one of the largest in Brazil, increasing its present capacity of 120 thousand tons to 180 thousand tons a year—Rio de Janeiro.

BRAZIL—An agreement has been reached between Usiminas (a joint Brazilian-Japanese steel mill under construction) of Minas Gerais and the Austrian firm of Bot Grassert Oxygen Technik A.G. of Vienna, for the use of its LD process for manufacturing steel. The contract also stipulates that Usiminas will receive technical assistance and know-how from the Austrian firm, and will have the right to place any products made by this process in any market—Rio de Janeiro.

Steel Products

BRAZIL—A new company has been formed in northeast Brazil for making steel products under the name

of Companhia Siderurgica do Nordeste (Cosinor). It has a capital of $2.5 million. Initial production will total 12,000 tons of laminates, 6,000 tons of light steel plates, 10,000 tons of wire and 4,000 tons of pig iron —Rio de Janeiro.

Tobacco

VENEZUELA—The import of cigarettes is to be suspended on March 31, 1960. By paying Bs.1.50 per kilogram to the tobacco-growers union, (half of which will go to the farmer) the four leading cigarette manufacturers will be allowed to import a total of 2,300 tons of tobacco per year for two years. Local farmers will provide 7,450 tons of tobacco—Caracas.

Wheat

URUGUAY—About the end of September, wheat began arriving in Uruguay from Argentina. This was the result of a recent arrangement by which Argentina is to lend Uruguay 100 thousand tons of wheat for delivery up to December 15. Repayment will be made from Uruguay's crop to be taken in January and February—Montevideo.

Wool

URUGUAY—A much smaller wool clip is expected for 1959. The new wool season, which begins October 1, will probably yield some 10 million kilos less than the 1958-59 season, or about 90 per cent of the country's normal annual yield. Because of bad weather over the past five months, the quality of the crop will suffer. The substantial increase in prices will compensate, however, for this smaller quantity and lower quality. The amount of unsold wool will be relatively insignificant—Montevideo.

Zinc

COLOMBIA—The first Colombian zinc factory, owned by Metales y Productos Afines S.A., has been opened in Bogotá to manufacture zinc ingots for galvanizing, tubes and other zinc products, using Colombian ore. The factory is equipped with modern machinery from the United States and manned by Colombian technicians. Its expected production capacity of 2,500 tons a year will easily cover Colombian demand and thus save approximately US$1.25 million on imports a year—Bogotá.

Trade Commissioners on Tour

The following officers of the Trade Commissioner Service are undertaking tours in Canada. Their itineraries are:

D. S. ARMSTRONG, Commercial Counsellor in Cairo, Egypt:

Ottawa—Nov. 16-27

A. B. BRODIE, Commercial Counsellor in Tehran, Iran:

Vancouver—Nov. 19-25
Winnipeg—Nov. 27
Ottawa—Nov. 30-Dec. 4

JOHN MACNAUGHT, Assistant Commercial Secretary in Wellington, New Zealand:

Southern Ontario—Nov. 30-Dec. 1
Toronto—Dec. 2-7
Southern Ontario—Dec. 8-9
Ottawa—Feb. 4-17
Montreal—Feb. 18-23

Businessmen who wish to see these officers should get in touch with the Board of Trade or Chamber of Commerce in the cities mentioned, with the following exceptions. In Toronto, Winnipeg and Edmonton, the Trade Commissioners make their headquarters at the offices of the Canadian Manufacturers Association; in Windsor, Ontario, at the offices of the Greater Windsor Industrial Commission; in St. John's, Ottawa and Vancouver, at the Department of Trade and Commerce; in Victoria, at the Department of Trade and Industry, and in Fredericton at the Department of Industry and Development.

Tours of Territory

M. B. BLACKWOOD, Commercial Secretary in Djakarta, Indonesia, will visit Medan, Sumatra, from November 25-December 2.

C. G. BULLIS, Assistant Trade Commissioner in Kingston, Jamaica, will visit British Honduras from November 17-24.

H. E. CAMPBELL, Trade Commissioner in Kingston, Jamaica, will visit the Bahamas from December 6-12.

R. F. RENWICK, Commercial Secretary in Port-of-Spain, Trinidad, will visit Bridgetown, Barbados, from February 1-6, and St. George's, Grenada, from February 7-10.

R. G. WOOLHAM, Assistant Commercial Secretary in Tokyo, Japan, will visit Seoul, Korea, from November 30-December 4.

Businessmen who would like these officers to undertake assignments should get in touch with them at their posts as soon as possible. Write to Mr. Blackwood at Djakarta, Mr. Bullis and Mr. Campbell at Kingston, Mr. Dyke at Athens, Mr. Renwick at Port-of-Spain, and Mr. Woolham at Tokyo.

New Zealand Relaxes Import Control

An analysis of the import program for 1960 that the New Zealand authorities announced recently, with emphasis on points of particular interest to Canadian exporters.

J. H. STONE, *Commercial Secretary, Wellington.*

AN improved balance-of-payments position has enabled New Zealand to announce a substantially increased and more flexible import program for the calendar year 1960. This removes almost completely discrimination against imports from the dollar area and exempts some raw materials from import control of any kind. A Token Import Scheme has also been introduced for many goods completely prohibited entry during the past two years.

Import control was dropped, with effect from October 9, for 14 raw materials, including crude sulphur, crude and lubricating oil, fertilizers and explosives. Although the list is short, some 15 per cent of the total value of expected imports is affected.

Replacement Licence Scheme

For over 100 commodities, quotas have been opened equal to 150 per cent of the value of licences issued for the same commodities in 1959. Initially, importers will be granted licences for only half their 1959 values. Additional licences will, however, be issued to them within their total entitlement of 150 per cent, in amounts covering (or replacing) the values of goods actually imported during the year. Among the goods covered by this scheme are:

Adding and computing machines
Cash registers
Typewriters
Asbestos
Machine belts
Iron shapes and sheets
Wire netting
Copper and lead billets
Synthetic rubber
Plastic moulding powders
Woven cotton piecegoods
Machine knitting needles
Spare parts for machines
Calcium carbide
Hat hoods
Yarns of cotton and artificial silk
Certain chemicals and pharmaceuticals
Surgical rubber gloves
Dry colours
Bearings
Grinding wheels
Oak and fir shooks
Sausage casings
Salt (household)
Metallic elements

As these and the other commodities in this class make up over 30 per cent of New Zealand's imports, the way is opened for a significant increase in trade. The goods in this schedule may be imported from any source. The replacement scheme also makes provision for new importers to bring in lines in which they have not dealt before.

Apart from two groups of commodities, motor vehicles and lumber, import licences will be valid for goods from any source. The quotas for softwood will be 25 per cent larger than in 1958. Motor vehicle imports will continue to be subject to individual consideration.

Token Licences

A large number of consumer goods have been totally shut out of New Zealand in the past two years. Under the new schedule, small quantities of commodities grouped under 90 tariff items may be imported, in the main, to the value of 10 per cent of 1956 imports. A few of these goods were on a Token Import Scheme in 1956 that applied only to the United Kingdom: for these 13, the 1956 import values set the quota for 1960. Products which could be of interest to Canadian exporters include:

Jams and jellies
Macaroni
Soups other than tomato
Cigarettes, cigars and tobacco
Beer
Leather and plastic manufactures
Some clothing
Playing cards
Aluminum hollowware
Certain paints and colours
Fur apparel
Paper bags and envelopes
Calendars, unprinted cards and showcards
Stationery
Shotgun cartridges
Woodenware and turnery
Brushes
Washing machines and small appliances
Household hardware

Industry Group Licences

Importers who hold licence entitlements to one or more kinds of goods required by a specific industry may elect to have these apply to all of a specified list of goods of interest to that industry. Fourteen such groups are established, covering (among others) the biscuit

industry (cellophane, foil and wrapping paper, etc.); corsets and bathing suits (elasticized fabrics, fasteners, etc.); paints and varnishes (red lead and certain colours); radios (components); household appliances (motors, compressors, tubing, etc.) and (although this is not an industry) religious articles. This measure should provide a welcome degree of flexibility to both manufacturer and supplier.

Other Goods

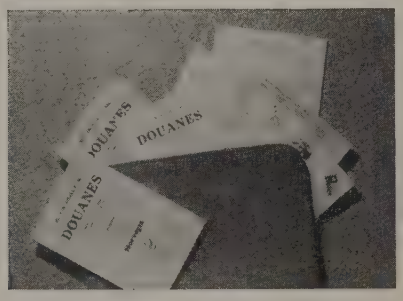
The provisions outlined above will cover over 60 per cent of anticipated imports. For the remainder, the provisions of last year generally are applicable—i.e., either quotas are established (for most goods at last year's level) or licence applications will be judged on their merits. A substantial list of prohibited imports is retained. These are, by and large, products which are produced in New Zealand in adequate quantities.

Administration of Licensing

Importers will welcome particularly the announcement that the complete program is to be reviewed at the end of January to determine whether further relaxation is possible. Meanwhile, any anomalies in the schedule will be examined: these arise mainly where a quota has been established with reference to a year when imports of the goods concerned were abnormally low. In addition, 1959 import licences will remain valid until January 31, 1960.

Each of the measures described should facilitate the sale of Canadian products in New Zealand, provided that prices are competitive with United Kingdom, Australian and other quotations. Importers have all been asked to apply for next year's import licences before January 31, 1960; Canadian firms should therefore ensure that their agents are provided with current catalogues, prices and samples without delay.

The foregoing is a brief summary only of a detailed schedule of licensing; details about the treatment to be accorded to specific products may be obtained from the International Trade Relations Branch, Department of Trade and Commerce, Ottawa. ●



Trade and Tariff Regulations

Austria

FURTHER DOLLAR LIBERALIZATION MEASURES ANNOUNCED—The Austrian Government has announced, effective October 15, 1959, a further step in the liberalization of imports from the dollar countries including Canada. Advance information indicates that the commodities affected include the following:

Certain agricultural and food products; beer, liqueurs; various chemicals and pharmaceuticals; certain fertilizers; unexposed film; some rubber goods; dressed furs; certain products of wood; various types of paper, including cigarette paper; calendars; rugs, except those made by machines; linoleum; certain textile goods; umbrellas; a range of ceramic goods and products of glass; some types of jewellery, including costume jewellery; various products of iron, steel, copper, aluminum, zinc; some tools made of base metals; outboard motors weighing more than 50 kilograms; refrigerators; milking machines; automatic vendors; electric coffee machines; tractor trailers; gliders; movie cameras; certain types of medical equipment, including X-ray machines; watches and some types of clocks.

Complete details of the new liberalization measures should be available shortly from the Department of Trade and Commerce, Ottawa.

Singapore

IMPORT LICENSING ANNOUNCEMENT—The Controller and Registrar of Imports and Exports, Singapore, advised importers on October 30, 1959, that imports of washing soap, comprising hard soap, soap powder and liquid soap from all sources, including the Federation of Malaya, are subject to specific import licences. Licences will be restricted to quantities normally brought in by the importers applying for the licences.

This notice does not apply to imports of toilet soap, abrasive soap and detergents which may be imported under Open General Licence.

South Africa

REPRESENTATIONS RESPECTING THE TARIFF—The South African Board of Trade announced recently that it had received the following representations respecting the tariff:

ncrease in duty on:

. Pneumatic tires and tubes (excluding aircraft and earthmover ypes) from the existing specific rates of duty by the provision of ılternative ad valorem rates of duty of 20 per cent (minimum), 25 per cent (intermediate) and 30 per cent (maximum rate).

(Applicant: The South African Tire Manufacturers' Conference, P.O. Box 925, Durban.)

2. Plain paper bags, from 1½d. per lb. to 20 per cent ad valorem or ½d. per lb., whichever duty is the greater.

(Applicant: South African Flexible Packaging Manufacturers Association, P.O. Box 923, Cape Town.)

3. Shovels, weeding hoes and spades, from free of duty to 50 per cent ad valorem.

(Applicant: South African Forge (Pty.), Ltd., P.O. Box 321, Germiston.)

4. The following laboratory appliances, being electrically heated and thermostatically controlled, incorporating refrigeration, from various rates of duty to 25 per cent ad valorem:

laboratory ovens used for heating or sterilizing purposes

laboratory incubators used for such germination or bacteriological work controlled at temperatures above or below room temperature

laboratory hotplates and heaters

laboratory water or oil baths used for serological or histological or general laboratory work, thermostatically controlled or otherwise

Kjeldahl digestion or Kjeldahl distillation units

laboratory humidity and temperature controlled climatic chambers

water distilling apparatus

laboratory furnaces, muffle, pot or tube type

(Applicant: A. F. H. Devers & Co. (Pty.), Ltd., P.O. Box 5598, Johannesburg.)

5. Grease guns from 10 per cent ad valorem to 25 per cent ad valorem.

(Applicant: B.H.M. Engineering (Pty.), Ltd., 45 Geldenhuis Road, Malvern East, Germiston.)

6. Brass unions, being motor vehicle fuel pipe fittings, from 20 per cent ad valorem to 40 per cent ad valorem.

(Applicant: B.H.M. Engineering (Pty.), Ltd., 45 Geldenhuis Road, Malvern East, Germiston.)

7. Nickel sulphate from free of duty to 25 per cent ad valorem.

(Applicant: Metallo (Pty.), Ltd., P.O. Box 25, Durban.)

8. Mealie combine harvester-shellers from free to 20 per cent ad valorem (tariff item 118(a)(5)).

(Applicant: Africa Harvester Co. (Pty.), Ltd./Afrika Stropers (Edms.), Bpk., P.O. Box 164, Brakpan.)

9. Air conditioners, heating and cooling, portable and stationary, based on the evaporative principle, from free (minimum) and 5 per cent ad valorem (intermediate) to 28¾ per cent ad valorem (minimum) and 33⅓ per cent ad valorem (intermediate) respectively.

(Applicant: Saflite (Pty.), Ltd., P.O. Box 38, Saxonwold, Transvaal.)

Canadian firms exporting these goods to South Africa may wish to have their views on these tariff inquiries placed before the Tariff Board. The most effective method of doing so is for the Canadian exporter to have his South African agents act on his behalf before the Board. Action should be taken as soon as possible because tariff inquiries normally begin in South Africa soon after the announcements are made.

United Kingdom

FURTHER REMOVAL OF IMPORT RESTRICTIONS—The United Kingdom Board of Trade has announced the removal of import licensing restrictions from a further list of thirty-three items, effective from November 9. The text of the list as supplied by the United Kingdom authorities is set out below. Items marked with an asterisk are those which could already be freely imported from the "Relaxation Area" (mainly Western European countries).

The United Kingdom announcement stated that, as a result of this decision, all items at present imported from North America under the Token Import Scheme will be free from restrictions except tobacco manufactures, pharmaceuticals and watches. The Token Import Scheme will be discontinued and details of licensing arrangements for the categories remaining under control will shortly be announced.

The list is as follows:

*1. Machinery—remaining items not yet liberalized
*2. Electrical equipment and apparatus, including valves
*3. Glass fibre and manufactures
*4. Oil
5. Scientific, industrial and optical instruments, including cameras and binoculars costing more than £7.10
6. Amusement machinery
7. Chain
8. Diamond dies
9. Laboratory and decorated glassware
10. Wire cloth
11. Calcium carbide
12. Stockings
13. Stationery
14. Sports goods and toys
15. Cutlery
16. Imitation jewellery
17. Paper manufactures
18. Smokers' requisites
19. Clocks, parking meters
*20. Textiles and clothing (other than items 23 and 24)
*21. Cheap books and newspapers with comic supplements
*22. Photographic and cinematographic equipment and films (other than item 5)
23. Lace
24. Apparel containing cashmere
25. Jewellery, precious stones, and gold and silver goods
26. Worked stone and slate
27. Vehicles, including motor cars
*28. Fresh and frozen salmon
*29. Meat other than pig meat
*30. Fresh citrus other than grapefruit
*31. Fruit juices (other than grapefruit and orange juices)
*32. Dried fruit
33. Flower bulbs

Index to *Foreign Trade*

The index to Volume 111 of "Foreign Trade", covering the issues from January 3, 1959, to June 20, 1959, has now been printed. Readers who wish to have copies should write to the Editor.

The following nominal quotations may prove useful in checking prices. Canadian traders should consult their banks before making any firm commitments.

Conversions into Canadian dollar equivalent and units of foreign currency per Canadian dollar have been made at cross rates with sterling or the United States dollar on the date shown.

Except when buying and selling rates are specified, the mid rates only are quoted. The buying rate is that at which the banks purchase exchange from exporters. The selling rate is that at which banks sell exchange to importers.

When several rates are indicated, the rate applicable depends on the commodity traded. Information on the rate for any specific commodity may be obtained from the International Trade Relations Branch, Department of Trade and Commerce, Ottawa.

Rates used exclusively in non-merchandise trading are *not* included in the table.

For conversion to United States dollar equivalent multiply by 1.0561056.

Foreign Exchange Rates

Country	Unit	Type of Exchange	Can. dollar equivalent Nov. 9	Units per Canadian dollar	Notes (See below)
Argentina	Peso	Free	.01149	87.03	(1
Austria	Schilling		.03655	27.36	
Australia	Pound		2.1234	.4709	
Bahamas	Pound		2.6543	.3767	
Belgium, Belgian Congo and Luxembourg	Franc		.01893	52.83	
Bermuda	Pound		2.6543	.3767	
Bolivia	Boliviano	Free	.00008288	12,065.64	
British Guiana	Dollar		.5530	1.81	
British Honduras	Dollar		.6636	1.51	
Brazil	Cruzeiro	General Category*	.004217	237.12	*Oct. 13 (2
		Special Category	.002282	438.20	
		Official selling	.04753	21.04	(3
Burma	Kyat		.1988	5.03	
Ceylon	Rupee		.1991	5.02	
Chile	Peso	Free	.0009001	1,110.99	(4
Colombia	Peso	Certificate	.1479	6.76	
Costa Rica	Colon	Official	.1686	5.93	
		Controlled free	.1424	7.02	
Cuba	Peso		.9469	1.05608	tax 2
Czechoslovakia	Koruna		.1315	7.60	
Denmark	Krone		.1373	7.28	
Dominican Republic	Peso		.9469	1.05608	
Ecuador	Sucre	Official	.06313	15.84	
		Free	.05350	18.69	
Egyptian Region, United Arab Rep.	Pound	Official	2.7190	.3678	
		Export account selling	2.0850	.4796	
El Salvador	Colon		.3788	2.64	
Fiji	Pound		2.3913	.4182	
Finland	Markka		.002959	337.95	
France, Monaco, etc.	Franc		.001930	518.13	(5
French colonies	Franc		.003860	259.07	(6
French Pacific	Franc		.01062	94.16	(7
Germany	D Mark		.2270	4.40	
Ghana	Pound		2.6543	.3767	
Greece	Drachma		.03156	31.68	
Guatemala	Quetzal		.9469	1.05608	
Haiti	Gourde		.1894	5.28	
Honduras	Lempira		.4734	2.11	
Hong Kong	Dollar	Free*	.1653	6.05	*Oct. 2
		Official	.1659	6.03	
Iceland	Krona	Official	.05814	17.20	(8
India	Rupee		.1991	5.02	
Indonesia	Rupiah	Official rate	.02104	47.52	(8
Iran	Rial		.01250	80.00	
Iraq	Dinar		2.6513	.3772	

*Latest available quotation date.

Country	Unit	Type of Exchange	Can. dollar equivalent Nov. 9	Units per Canadian dollar	Notes (See below)
Ireland	Pound		2.6543	.3767	
Israel	Pound		.5260	1.90	
Italy	Lira		.001525	655.74	
Japan	Yen		.002630	380.23	
Lebanon	Pound	Free	.3004	3.33	
Mexico	Peso		.07575	13.20	
Netherlands	Florin		.2506	3.99	
Netherlands Antilles	Florin		.5050	1.98	
New Zealand	Pound		2.6543	.3767	
Nicaragua	Cordoba	Effective buying	.1435	6.97	
		Official selling	.1344	7.44	
Norway	Krone		.1327	7.53	
Pakistan	Rupee		.1991	5.02	
Panama	Balboa		.9469	1.05608	
Paraguay	Guarani	Official	.007825	127.79	
Peru	Sol	Certificate	.03412	29.31	
Philippines	Peso		.4734	2.11	
Portugal & Colonies	Escudo		.03305	30.26	(9)
Singapore and Malaya	Straits Dollar		.3097	3.23	
Spain and Dependencies	Peseta		.01578	63.37	
Sweden	Krona		.1828	5.47	
Switzerland	Franc		.2183	4.58	
Syrian Region, United Arab Rep.	Pound	Free	.2645	3.78	
Thailand	Baht	Free	.04517	22.14	(8)
Turkey	Lira		.1052	9.50	(8)
Union of South Africa	Pound		2.6543	.3767	
United Kingdom	Pound		2.6543	.3767	
United States	Dollar		.946875	1.0561056	
Uruguay	Peso	Free	.08996	11.12	
		Basic buying	.6250	1.60	(8)
		Principal selling	.4329	2.31	
Venezuela	Bolivar		.2826	3.54	
West Indies Fed.	Dollar		.5530	1.81	(10)
	Pound		2.6543	.3767	(11)
Yugoslavia	Dinar	Official	.003156	316.86	(8)
		Settlement rate	.001498	667.46	

*Latest available quotation date.

Notes

1. Argentina: effective Jan. 1, 1959, a single fluctuating exchange rate was introduced. Exports are subject to retention taxes of either 10 or 20 per cent ad valorem under this system.
2. Brazil: exporters receive cruzeiros at official buying rate of Cr.$18.36 plus (a) an exchange premium of Cr.$57.64 per U.S. dollar for coffee, cocoa beans and cake, and castor seeds, and (b) Cr.$81.64 per U.S. dollar for all other exports except sugar, cotton and cocoa butter, and a few other products, export returns from which may be sold on the free exchange market.
3. For imports of wheat, newsprint and petroleum, the effective rate of exchange is the official selling rate of Cr.$18.92 per U.S. dollar plus a surcharge of Cr.$81.08 per U.S. dollar.
4. Chile: free rate applies to exports and to imports, except prohibited imports. Chilean importers must deposit local currency in amounts ranging from 5 to 5,000 per cent, depending on product, prior to shipment of goods.
5. France: territory includes Algeria, Tunisia, Guiana, Guadeloupe, Martinique.
6. Equatorial Africa, West Africa, Cameroons, Togoland, Somaliland, Madagascar, Reunion, St. Pierre and Miquelon.
7. New Caledonia, New Hebrides, Oceania.
8. Additional rates are in effect.
9. Portugal: approximately same rate for Portuguese territories in Africa.
10. Barbados, Trinidad, Tobago, Leeward and Windward Islands.
11. Jamaica.

Peru Diverts Rivers

To irrigate the arid coastal region and provide power, a Lima-based company is changing the flow of rivers, tunnelling through mountains, in an impressive three-phase project.

W. J. JENKINS, *Assistant Commercial Secretary, Lima.*

PERU has lately embarked upon a project that will bring precious water to its arid but well populated Pacific coast and generate needed hydro-electric power. This Marcapomacocha project, set in motion by the Lima Light and Power Company, will be carried out in three stages.

A quick look at Peruvian geography shows the necessity for this undertaking. Most of the rivers flow eastward towards the Atlantic; the Amazon and her three great tributaries are born in Peru but their course lies through the sparsely inhabited jungle in the eastern part of the country. Most of the 1,400-mile coastline consists of desert, except for the irrigated river valleys with their large cotton and sugar estates. The coastal soil, however, is fertile once water is supplied.

Stage One Undertaken

Tipping Peru on its edge to make the waters flow down the western slope of the Andes doesn't seem practical. The approach of the Lima Light and Power Company to the project is less spectacular: it is going ahead with a scheme to make the rivers of the Marcapomacocha watershed that now flow eastward to the Amazon run westward to the Pacific through Lima.

To reverse the flow of these waters, engineers are digging a 6¼-mile tunnel through an Andean mountain more than 14,000 feet high. At the same time, a canal is being made to divert the Cueva and Antacosha Rivers into the tunnel. This work represents the first of the three stages of the Marcapomacocha project. The cross-section and slope of the tunnel will permit a flow of at least 10 cubic metres per second. However, it is expected that only 2½ to 3 metres per second during the dry season will be available on completion of the first stage.

An extension of the first stage covers the damming of waters in the Marcapomacocha area now flowing eastward and building the canals required to carry them to the tunnel's entrance. These works should add an estimated water volume of three cubic metres per second during the dry season. Work on this phase of the project will start after the tunnel and the initial diversion canals are finished. The speed with which the Lima Light and Power Company completes it will depend on the demand for electricity at the time.

Stages Two and Three

Stage two will consist of the damming of additional lakes on the Marcapomacocha, plus the construction of the required connecting canals. It should add approximately two cubic metres per second of water, bringing the total obtainable from the two stages to eight cubic metres. Work on stage two will start when the additional volume of water is required, principally for irrigation and urban use.

The Marcapomacocha project's third stage covers the construction work necessary to use the newly acquired waters for irrigation and urban purposes. This stage is chiefly the responsibility of the Peruvia Government.

Effects Discussed

The initial part of stage one wi add 220 million kwh. and the ex tension of stage one a further 22 million to the electricity produce annually by the Lima Light an Power Company. The project wi also improve Lima's supply c drinking water. The size of th total area to be irrigated fluctuate between 2,954 and 1,335 acre according to the different plans c cultivation. Revenue from the sal of the irrigated land will range fro two to three million dollars.

Construction actually began i the second half of 1957 and th tunnel now is nearly half completed Before the company could begi digging the tunnel, it had to cut road through the Andes to the site Once there, it had to overcome th exceptional difficulties of working i the thin air 14,000 feet above th sea.

The Lima Light and Power Com pany is its own contractor and it own consulting engineer. The com pany is controlled by Swiss-Italia interests which are financing th Marcapomacocha project (stag one is estimated to cost $12.5 mi lion) without external aid. All c the machinery used is Swiss and thi closes the door to Canadian manu facturers.

The Lima Light and Power Com pany and its affiliate, Hidrandin S.A., is the principal group supply ing power to the Peruvian public The only other major system is tha owned by Cerro de Pasco Corpora tion, largest mining company i Peru. Several hundred small plant provide the rest of Peru's powe Lima Light and Power and Hidran dina own five hydro-electric plant and one thermo-electric, with total output of 420 thousand kw.

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